

DRAFT

# HOUSING ELEMENT

## City of Gilroy

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## Summer, 1991

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population. In 1980, that percentage share had increased to 1.70% and by 1990, Gilroy's share of the total County population was 2.00%.

## HOUSEHOLD DATA

### Household Size

*In 1990, there were 9,414 households in Gilroy and the average household size was 3.17 persons per household.*

For purposes of looking at housing supply and demand, it is helpful to translate information from population figures into household data. According to U.S. Census data, there were 6,839 households in Gilroy in 1980; recent Department of Finance figures indicate that this number has increased to a total of 9,414 households in 1990. This amounts to an average household size of 3.17 persons. Gilroy's average household is larger than the average household in the County of Santa Clara where the average household size is 2.75 persons. In fact, Gilroy, along with Milpitas and Morgan Hill, has the highest average household size in the County of Santa Clara in 1990.

### Household Type

The most comprehensive data concerning the type of households living in Gilroy comes from 1980 U.S. Census data. Of all the households in Gilroy at that time, approximately 80% of the households were family households of 2 or more persons with a substantial majority of those households being married couples. (There were 4,532 married couple households and 927 other types of family households, i.e., adult siblings living together, single parent households, etc.) This data indicates, then, that the majority of households in Gilroy consist of individuals related by marriage or blood and living in "family-type" situations.

### Ethnicity

In terms of ethnic mix, Gilroy is a heterogeneous community with households of varying ethnic background. According to the 1980 Census data, approximately 45% of the population in

## CHAPTER 1: POPULATION GROWTH

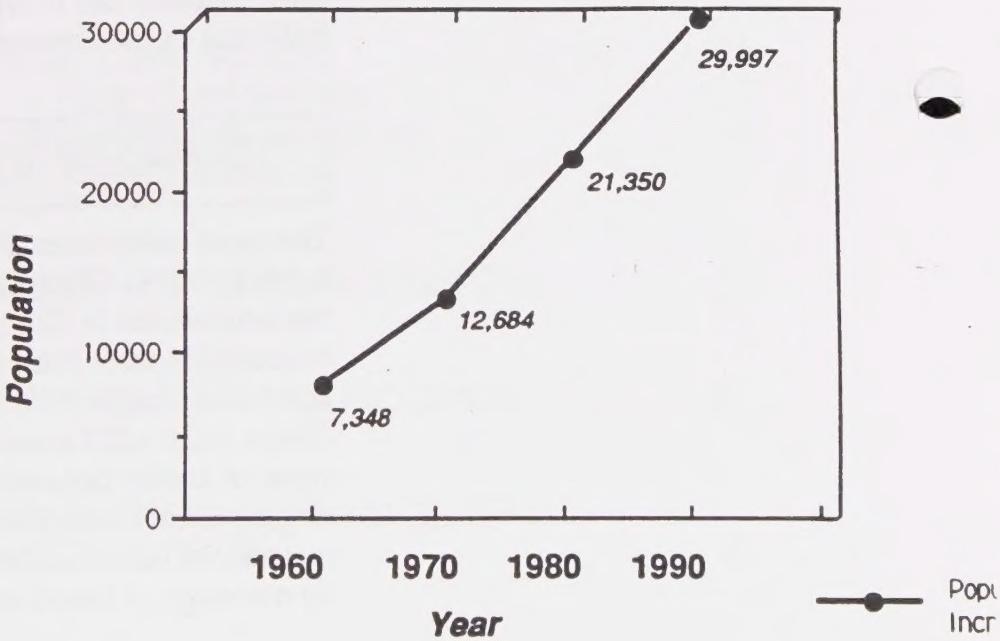
*During the decade between 1960-1970, Gilroy's population increased by 73%.*

*Since 1970, however, Gilroy's population has increased at a more moderate growth rate.*

## POPULATION GROWTH

Since 1960, Gilroy's population has increased by over four times its original size. In 1960, the City's population was 7,348; by 1990, the population had increased to 29,997 persons. The decade with the largest percentage increase in growth was from 1960 to 1970, during which the population increased by 73%. This translates to an average annual growth rate for that decade of approximately 7.3% per year. From 1970-1980, the average annual growth rate was 6.8%. Since 1980, however, the City's growth rate has decreased to an average of 4% per year for years from 1980 to 1990. The chart below illustrates the population growth for the City of Gilroy from 1960 to 1990.

**Illustration #1:**  
**Population Increase**  
**City of Gilroy, 1960-1990**



In comparing the City's population to the surrounding region, it appears that the City has slightly increased its share of total population for the County of Santa Clara. For example, in 1970, Gilroy's population represented 1.19% of Santa Clara County's

*In Gilroy, a household of four persons with an annual income of \$35,700 or less would be considered to be a lower income household in 1990.*

For State and Federally assisted housing programs, the typical household income levels that are considered eligible for assistance are very low and low income households. Locally assisted housing programs, especially those funded with Redevelopment tax increment funds, are often targetted to very low and low as well as moderate income households. The chart below illustrates the various household income levels for a 4 person household in Gilroy.

**Illustration # 2:  
Household Income Limits  
May, 1990**

Type	Definition	Maximum Income 4-Person Household
Very Low	Households with incomes less than 50% of areawide median income	\$27,000/year
Low	Households with incomes between 51-80% of areawide median income*	\$35,700/year
Moderate	Households with incomes between 81-120% of areawide median income*	\$64,800/year
Upper	Households with incomes over 120% of median income	Over \$64,801/year

\*Income limits for Gilroy are based on areawide median income estimates for the County of Santa Clara. Because the County's median income is so high (\$54,000 for a family of 4 persons), the income limits for low and moderate income households are adjusted slightly downward. The determination point for low or moderate income household is calculated at 66% of median income for a 4-person household rather than at 80% of median income.

Gilroy were of Spanish origin with over 50% of the households having a household member of Spanish origin. The majority of persons citing "Spanish origin" as their background are of Mexican heritage. The next most significant ethnic group in Gilroy in terms of numbers is Japanese with 2% of the population citing that as their ethnic heritage.

### Household Tenure

*Approximately 42% of all households are estimated to be renter households.*

Over half of the households in Gilroy were homeowners according to 1980 U.S. Census data. Approximately 58% of households were homeowners and the remaining 42% of the households were renting their homes. These percentages are similar to renter/owner tenure data for the San Francisco Bay Area. The 1980 U.S. Census provided information which demonstrated that 44% of the households in the Bay Area were renters. According to the 1989 Association of Bay Area Governments Housing Needs Determination report, these percentages have probably not changed significantly since 1980 (see page 10 of the report). If these percentages are then applied to the 1990 Gilroy household estimates, it would appear that 5460 households in the City are homeowners and 3954 households are renters.

### Households by Income Level

In reviewing household information, it is helpful to evaluate the proportion of households by income level. The four categories used to determine income level are very low, low, moderate and upper income households. These income levels are determined by evaluating the median income for the area and adjusting that income according to household size. In Gilroy, a 4 person household with an income of \$27,000 or less for the year is considered to be a very low income household. Since the income limits are adjusted for household size, a household with 8 persons has a higher income limit. In this case, an 8 person household would need to have an annual income of \$35,650 or less to qualify as a very low income household. These income limits are usually adjusted on an annual basis by the federal and state government to reflect changes in the area's economy.

lower income households, 1645 households were "overpaying" for housing. Overpaying as used by ABAG is defined as a household who pays more than 25% of their income for housing expenses. Therefore, 59% of the lower income households were overpaying for housing in Gilroy (1645 of the 2796 total lower income households were overpaying for housing).

The majority of lower income households who were overpaying for housing were renter households. Approximately 77% of all overpaying lower income households rented their housing unit and the remaining percentage were homeowner households.

*There are seven types of households who are considered households with "special needs" in Gilroy.*

## HOUSEHOLDS WITH SPECIAL NEEDS

Because of characteristics specific to them, there are certain households within a community that usually have special housing needs.

- Households with Special Needs:**
- o elderly households
  - o handicapped households
  - o overcrowded households
  - o large family households
  - o single parent households
  - o farmworker households
  - o homeless households.

### Elderly Households

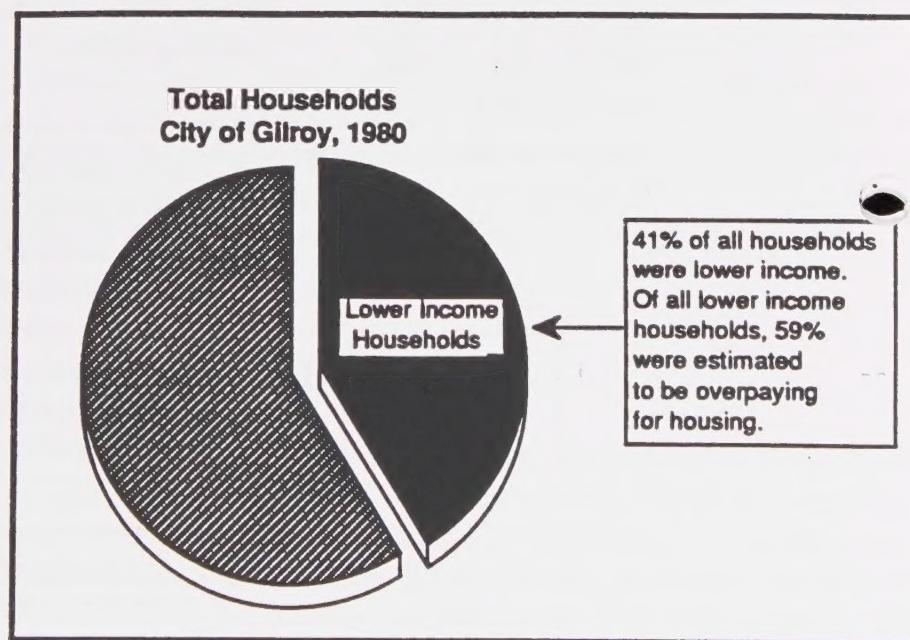
Elderly over the age of 60 years represented 11.4% of the total population in Gilroy according to the 1980 U.S. Census data. In terms of household distribution, approximately 25% of all households (1710 households in all) had at least one household member over the age of 60 years, with the majority of those elderly people (65%) living in two person (or more) family households.

In terms of ethnic background and income levels, elderly of Spanish origin represented 22% of all elderly over the age of 65

*ABAG estimates that 41% of all households in Gilroy were lower income according to 1980 U.S. Census Data.*

The households considered to be most in need of housing assistance are the very low and low income households. These two household categories are usually identified jointly as "lower income" households when used for housing program purposes. According to the ABAG 1989 Housing Needs Determination report, 41% of all households in Gilroy were lower income households according to 1980 U.S. Census data. Of the total number of lower income households, 34% were homeowners and the remaining 66% were renter households.

**Illustration #3:  
Lower Income Households  
Overpaying for Housing**



**Lower Income Households Overpaying For Housing**

As noted on the previous page, ABAG has estimated that 41% of the households in Gilroy were lower income households. Using 1980 data, this indicates that 2796 households in Gilroy were lower income. ABAG has further estimated that, of these 2796

The proposed "Wheeler Senior Care Facility" would provide both independent as well as assisted living arrangements. A variety of funding sources are expected to be used for the project including State of California Proposition 77 and 84 funds, Low Income Housing Tax Credits and possibly HUD Section 202 funds. Completion of the project is estimated to be sometime in 1993-94.

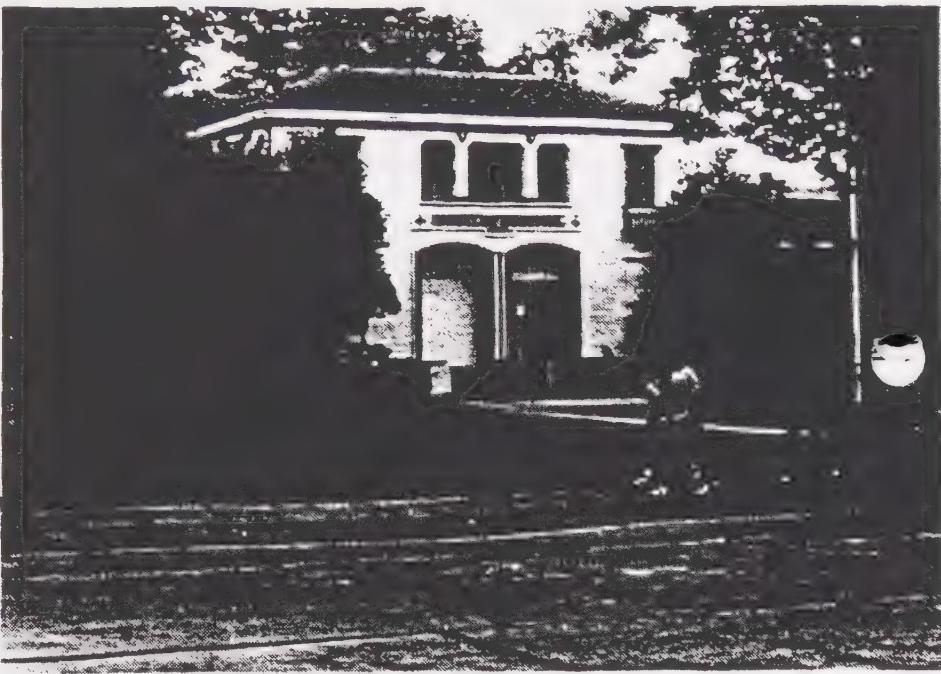
In regards to existing housing opportunities for elderly, there are currently 193 units of Federally subsidized assisted housing that is oriented specifically to elderly (Sunset Gardens, Plum Tree West and the Milias Apartments). One area of concern to be noted is that financial assistance agreements for both the Milias Apartments and Plum Tree West could expire between 1990-2000 and the units could be converted to market rate housing. (Please see pages 35-36 for more information regarding potential conversion of assisted units to market rate housing).

*Shared Housing Programs are provided by several non-profit agencies in the Gilroy area.*

In addition to the housing opportunities mentioned above, Santa Clara County's Community Development Block Grant (CDBG) program provides funding for an additional program that addresses the housing needs of elderly. "Project Match" is a non-profit agency that is funded with CDBG funds (as well as other funds) to create shared housing arrangements for low-income elderly. The average age of their clients is over 65 years and the average monthly income is \$700 per household. In brief, "Project Match" pairs households who have homes to share with people who need housing, thereby reducing the housing costs of both parties. Usually, at least one if not both of the households are elderly. Catholic Charities also manages a shared housing program that is available to Gilroy households and which is funded in part with the City's CDBG monies.

### **Handicapped Households**

According to information provided by the "Economic and Social Opportunities, Inc." (ESO) agency, the most common problem encountered by handicapped persons in Santa Clara County is the lack of accessible housing. Many handicapped persons live in housing units that have inaccessible entrance/exits, bathroom facilities, etc. This lack of accessibility prevents the handicapped person from living an independent and active life.



**Plans are underway to convert Wheeler Hospital into a residential facility for approximately 102 lower income elderly households.**

years according to the 1980 data. Regarding income level, elderly over the age of 60 years accounted for 8% of all persons with incomes below the 1979 poverty level and 16% of all households that fell below the poverty level for the same year.

*Elderly households represent 13.5% of all lower income households in Gilroy who are estimated to be in need of rental housing subsidy assistance.*

Further information regarding elderly income level is available for the City's 1988-91 Housing Assistance Plan (HAP) which identifies elderly as representing 13.5% of all lower-income households in the City who are in need of rental subsidies. This translates to a total of 342 lower-income elderly households. The HAP further identifies 57% of these 342 households as being of very low income.

Because of their limited income status, elderly oftentimes have a difficult time securing affordable housing and/or maintaining their existing housing unit. While the need is significant, there are efforts underway to address this need. South County Housing, Inc., a local non-profit organization, has plans underway to convert the existing Wheeler Hospital into housing for approximately 102 lower income elderly households.

renters and 59% homeowners according to 1980 data.

It is important to note that the needs of large families have been recognized in Gilroy. South County Housing, Inc. recently built "Aspen Grove," a 24 unit development financed by Farmers Home Administration, which included 10 four bedroom units designed specifically for the needs of large families. South County Housing, Inc. is also beginning construction on "The Redwoods," a 24 unit development for lower income families which will include 12 three bedroom units and 6 four bedroom units.

### Single Parent Households

*The majority  
of single parent  
households in  
Gilroy are  
female headed  
households.*

Single parent households accounted for approximately 8% (535 households total) of all the households in the City, according to the 1980 data. In comparing single parent households to all households that include children, the percentage share that single parent households represent increases to 17%. Applied to 1990 household figures, 17% would represent 1600 households. Of all single parent households identified in the 1980 data, female single parents represent the majority accounting for 81% of all single parent households.

Because of the increased financial and emotional burden that single parent households carry, they oftentimes have difficulty finding adequate and affordable housing for themselves and their children. In addition, single parent households often encounter subtle forms of discrimination especially in regards to securing rental housing. Fortunately there are two programs currently available in Gilroy that address the needs of single parents. The "Shared Housing Program" operated by Catholic Charities helps to "match up" female headed households for the purpose of sharing housing and thereby reducing individual household housing costs.

In regards to housing discrimination, the "Operation Sentinel" program is available in Gilroy and provides fair housing counseling and mediation services. An integral component of this program is the service that is provided to single parent households, especially in regards to discrimination practices.

In Gilroy, approximately 967 persons had some type of work disability and, of that total, 57% (548 persons) were prevented from working because of the disability. This data was compiled from 1980 U.S. Census information. The Census data further indicated that 319 persons being between 16-64 years of age and the remaining 191 persons being 65 or older.

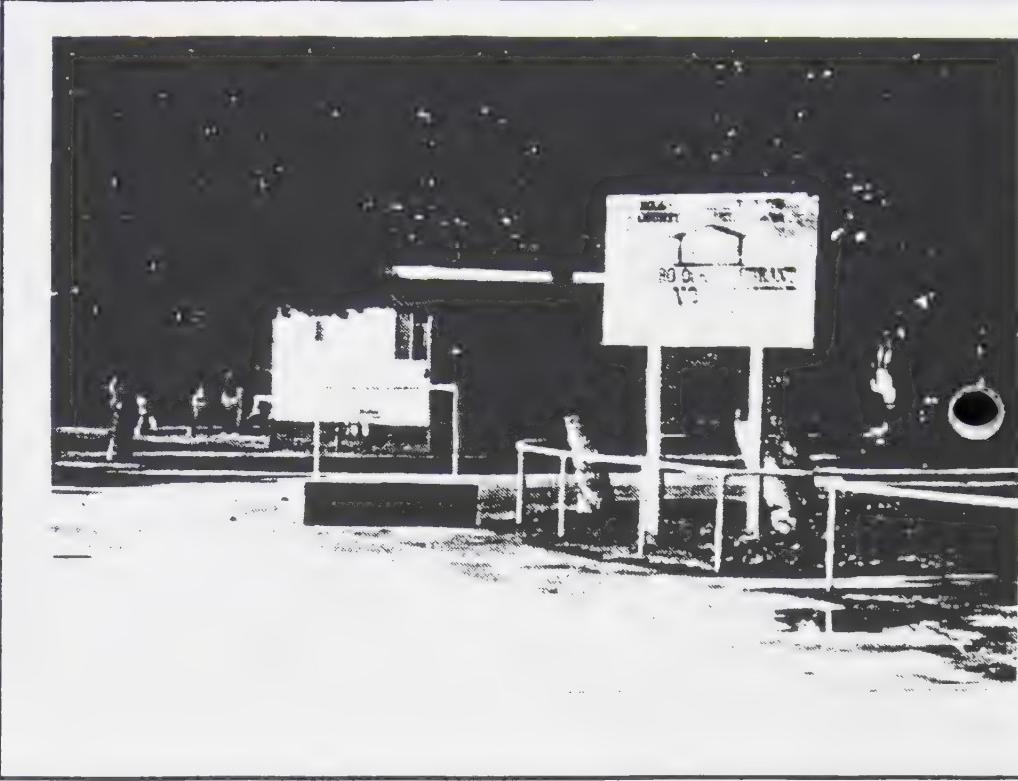
There are two different programs currently operating in Gilroy which help provide access modifications for handicapped households. The first is the City's housing rehabilitation program which includes home modifications as eligible items for rehabilitation assistance. In addition, ESO also operates a home access program which provides home modifications for handicapped households.

### Overcrowded Households and Large Families

*It is estimated that at least 941 households are living in overcrowded conditions in Gilroy in 1990.*

The most commonly accepted definition of an "overcrowded" household is one in which there is more than one person per room in the living structure. The 1980 Census data indicate that 10% of all the occupied housing units were overcrowded, a total number of 700 overcrowded households. If this same percentage were applied to 1990 occupied housing units, the number of overcrowded households is 941 households. Of all the overcrowded households in 1980, 40% were seriously overcrowded with more than 1.5 persons per room. The majority of overcrowded units were renter households, approximately 73% of all overcrowded households were living in rented units.

An issue oftentimes related to the number of overcrowded households is the subject of large families and their specialized housing needs. Many times a family is overcrowded because it cannot find a house big enough to adequately accommodate more than the traditional four person family. According to the 1980 Census, 1320 households in Gilroy had five or more persons. These 1320 households account for 19% of all households in the City at that time. Applied to 1990 household figures, 19% of all the 1990 households would be 1,788 households total. In regards to household tenure, 41% of the large families were



*The Ochoa Migrant Center in Gilroy provides housing for 100 migrant farmworker households during the summer months. During the winter, the Center provides shelter for homeless households.*

Due to the seasonal nature of the work and relatively low wages, farmworker households often have a difficult time securing affordable housing. Data from the 1980 U.S. Census show that all farmworkers counted in the Census had a median household income of \$11,725. This compares to a median of \$18,423 for all households. With such low wages, a higher proportion of a household's income must be spent to secure housing. Oftentimes, as noted in the report Migrant Farmworker Housing in California, the only type of housing that farmworkers and migrant farmworkers can find is either overcrowded housing arrangements or housing with substandard living conditions.

Two resources that are available in the Gilroy area are the Ochoa Migrant Housing site and the emergency housing shelter located on Pacheco Pass Highway and operated by the South Valley Collective. The Ochoa Center contains 100 family units and is operated as a migrant camp by the Santa Clara County Housing Authority for a maximum 6 month period each year.

directed against families with children. The staff of "Operation Sentinel" have reported that children-related discrimination complaints represent the largest number of complaints received in regards to fair housing practices in their office. When these type of complaints are received, the staff proceeds to inform both tenants and landlords of their rights and responsibilities under State and Federal law.

In discussing single parent households, it is important to note that a woman's shelter is available in South County for battered and abused women. Up to 18 women and children can be accommodated at "La Isla Pacifica", the women's shelter operated by South County Alternatives. The average length of stay is anywhere from 3 to 45 days, although staff from the shelter report that the average stay has been lengthening due to increased difficulties in securing alternative housing arrangements.

### Farmworker Households

Traditionally, Gilroy has been home to many agricultural related businesses and industries. Consequently, there are many people who are continuously employed as farmworkers as well as a seasonal swell of migrant farmworker households also.

Data from the California Employment Development Department provides some information regarding the number of persons in the South County area (including Gilroy, San Martin, Morgan Hill and surrounding rural areas) that are agricultural workers. According to the EDD, the total number of farmworkers in South County varies between a winter low of approximately 2500 persons to a summer high of 5000 persons. Local social service agencies believe these numbers to be conservative estimates of the number of farmworkers in the Gilroy area.

According to the 1988 report, Migrant Farmworker Housing in California, prepared by the State of California Department of Housing and Community Development, August is the peak month in which there is the largest number of migrant farmworkers in Santa Clara County.

*"There currently is a family with 5 children staying at our Center. The dad earns \$4.25 per hour at a local fast food restaurant. Now how are they ever going to find decent housing?"*

*Comment by staff at the San Martin Center, an emergency housing facility in the Gilroy area.*

and provides emergency housing for approximately 55 families during the winter months.

Staff at the San Martin Center report that their facility is always filled and that they maintain a waiting list of approximately 25 families. These families often have to wait 2 months or longer for available space at the Center. If a family needs immediate emergency housing, they would have to travel to one of the emergency shelters in northern Santa Clara County. If a family is currently receiving welfare assistance, there is a possibility that they could receive a motel voucher for their immediate shelter needs. On the average, San Martin Center staff report that they receive 5 phone calls per day from families who need immediate shelter.

In regards to single persons who are homeless, there is currently only one facility for single persons in Gilroy and that facility only serves persons who have a psychiatric diagnosis. "La Casa Libre" is managed by The Bridge Counseling Center and provides transitional housing for up to 18 individuals. Other than La Casa Libre, there is currently no facility for homeless single persons in the Gilroy area. Homeless single individuals would need to travel to northern Santa Clara County to obtain emergency shelter. Staff at the San Martin Center report that they average one phone call per day from single individuals who appear to be homeless. This data may be misleading, however, since the San Martin Center is a center for families only and single persons may not be contacting them because they may know that the Center doesn't provide housing for single persons.

Staff at the Emergency Housing Consortium identified two major reasons for the number of homeless individuals and families in the South County area. The first is the lack of affordable housing opportunities. Housing costs are high in Gilroy and many households are unable to afford decent and suitably sized housing units. The second reason is the low wages and lack of skilled labor in the Gilroy area. These two conditions contribute to the need for emergency housing facilities. One of the issues identified during the preparation of the 1990 Housing Element was the need to provide adequate sites for emergency housing facilities. The City's current Zoning Ordinance needs to be revised so that emergency housing facilities will be permitted in certain zoning categories. This action is further described in Housing Program #12 in Chapter 7 of this document.

*During the 1990 agricultural season, 200 families participated in a lottery drawing for 2 available housing units at the Ochoa Migrant Center in Gilroy.*

At the Ochoa Migrant Center, the fee is \$3.25 per day per unit and families must document that they are "migrant", i.e. their home base is 50 or more miles away from Gilroy. At least 50% of their income must be derived from agricultural-related work. First priority to obtain one of the units is given to households who have stayed at the Center in past years. During the 1990 year, only 2 units were available for new households since all of the remaining units were given to returning households. Approximately 200 households submitted their names for a lottery drawing for the 2 available units.

Farmworker households often end up being "homeless" households because they are unable to afford housing in the housing market. The following section describes the needs of homeless households in the Gilroy area.

### **Homeless Households**

Homelessness is a housing issue that has become a significant social concern in recent years. The number of homeless persons has increased dramatically in the last decade for a number of reasons. These include the decrease in federal housing funds, the high cost of available housing, the increasing number of mentally ill individuals living on their own, persons with substance abuse problems, women and children fleeing family violence and the lack of family support networks in today's fast paced society.

According to the report, Homelessness in Santa Clara County, 1989, New Faces and Hidden Costs prepared by the County Homeless Overview Study Task Force, it is estimated that there are between 1800-2000 homeless individuals on any given day in Santa Clara County.

In the South County area (Gilroy, Morgan Hill, San Martin and Hollister), the Emergency Housing Consortium functions as the primary clearing house for homeless households. The EHC operates the San Martin Center which provides emergency housing for up to 9 family households or an average of 45 persons total. These households can stay for a maximum period of 2 months. In addition to the San Martin Center, the EHC also utilizes the Ochoa Migrant Center during the winter months

In reviewing housing stock data for 1980 and 1990, the information collected indicates that the largest number of units added to the housing stock during that 10 year period were single family units. Approximately 1,637 of the 2,575 units, or 64% of all units added to the stock during that time, were single family units. The smallest number of units added was in the mobile home category in which only 9 new mobile homes were added to the stock between 1980 and 1990.

### Vacancy Rates

*From 1979-88, the vacancy rate in Gilroy has fluctuated between 1-2%, according to the U.S. Postal Vacancy Survey.*

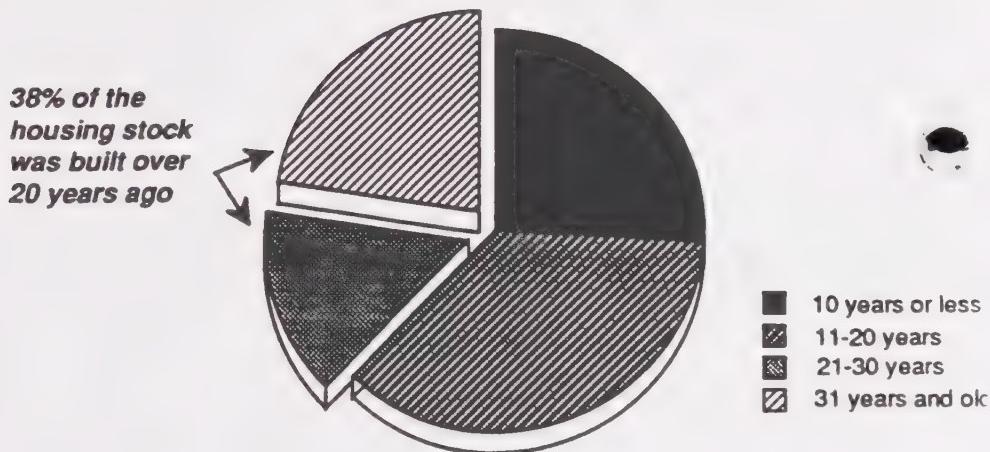
The vacancy rate in a community indicates the percentage of units that are vacant and for sale/rent at any one time. In comparing data for 1980 and 1990, it appears that Gilroy's vacancy rate has decreased slightly during that 10 year period. The rate for 1980 was 4.4% whereas by 1990 it had decreased to 3.24%, according to the California Department of Finance data. Translated into actual numbers, this means that 315 housing units were vacant as of January 1, 1990. These vacant units include units recently constructed (or nearing completion of construction) as well as previously occupied units.

More detailed information regarding vacancy rates is also available from the local postmaster based on the post office's vacancy surveys. From 1979-1988, the postal vacancy rate survey has indicated that at any given time between 1%-2% of all the units in the City are vacant. The majority of these units have been either vacant new housing units or housing units still under construction.

### Housing Age and Condition

More than half of all the units in Gilroy were constructed within the past 20 years. Approximately 62% of the total 9,729 units as of January 1990, were built between 1970 and 1990. The remaining units, 38% of the total, were built prior to 1970. The graph on the following page illustrates the housing stock, by age.

Illustration #5:  
Housing Stock, by Age  
City of Gilroy, 1990



SOURCE: 1980 U.S. Census and  
1990 California Department of Finance data

Of the units 31 years of age or older, the majority were occupied by homeowners, according to 1980 U.S. Census data. Approximately 61% of all of these "older" units were occupied by homeowners and the remaining 39% were renter occupied.

*There are 1,264 substandard units in Gilroy. These units represent 13% of the total 1990 housing stock.*

The most recent data regarding the actual condition of existing housing units is available from the 1988-91 "Housing Assistance Plan" (HAP) as prepared by the City of Gilroy for the U.S. Department of Housing and Urban Development. The HAP indicates that there are 1,264 substandard units in the City and that, of all those substandard units, 974 are suitable for rehabilitation. The HAP further indicates that, of the 1,264 substandard units, 642 or 51% of all the units, are occupied by lower income households. Further, 47% of these lower income households residing in substandard units are renters and the remaining 53% are owner occupied.

Since the 1988-91 HAP was prepared, a serious earthquake occurred which has affected the condition of many housing units. It is estimated that the 1989 Loma Prieta earthquake damaged some 1,000 housing units in the Gilroy area. Various governmental funding sources have been utilized to repair these units, including FEMA, SBA and CALDAP.

In regards to units that are so substandard that replacement is an appropriate action, information in the 1988-91 HAP indicates that there are 290 units that are substandard and not suitable for rehabilitation. All of these units are occupied by renter households. This is a substantial increase in the number of substandard units unsuitable for rehabilitation since the 1986 Housing Element was prepared. It is recommended that the City evaluate this situation more closely in the next five years and undertake a detailed survey of these units. Should such a large number of units indeed be suitable for replacement rather than rehabilitation, the City should prepare a Replacement Housing Program to address this need. This recommended housing program is included in the 1990-95 Housing Program as outlined in Chapter 7 of this document.

### Housing Cost

Like most other areas in California, the cost of housing in Santa Clara County has increased significantly during the past decade. In 1966, the average price of an existing home in Santa Clara County was \$22,910; by 1976, the price had more than doubled to \$53,500 and just two years later the price had tripled to \$77,120 in 1978. (All data cited is from the San Jose Real Estate Board.) The prices of homes in Gilroy also reflected this tremendous jump in prices so that, by the time the 1980 U.S. Census data was collected, the mean value of an owner-occupied unit in Gilroy was \$88,492.

Prices of homes in Gilroy have of course increased since 1980. According to data from the Multiple Listing Service, South County, a residential unit in Gilroy sold for an average price of \$239,400 during the month of March, 1990. This data indicates that home prices have doubled in Gilroy since the last Housing Element was prepared in 1985-86. According to Gilroy's 1986 Housing Element, the average asking price for a single-family unit in Gilroy was in the range of \$110,000-\$115,000.

The average sales price of a residential unit in Gilroy in 1990 was \$239,400.

$$\begin{aligned}
 A & 84,000 = 239,400 \\
 2\% VL & 27,000 = 76500 \\
 14.6\% L & 37,500 = 106,874 \\
 7\% M & 64,800 = 184,679
 \end{aligned}$$

Using a standard rule of thumb that a household should spend more than 30% of their income for housing costs, a household in Gilroy should have an annual income of at least \$84,000 in order to afford purchasing the residential unit at an average March, 1990 sales price of \$239,400 (assuming a 20% down payment, 30 year fixed mortgage at 11% interest and average insurance and property tax costs). The 1986 Housing Element estimated that a household in Gilroy needed an annual income of at least \$38,900 in order to afford the average single-family unit at that time. In the short period of time since the 1986 Housing Element was adopted, purchasing a single-family home has become even more difficult requiring twice the annual income of just 4 years previous.

The City's rental housing stock consists of apartments, duplexes, townhomes, condominiums, single-family units, mobile homes and individual room rentals. In order to determine average asking rental costs, a survey of units advertised for rent in the local newspaper, the Gilroy "Dispatch," was conducted during May, 1990. This survey indicated that the average 2 bedroom rental in Gilroy was \$675 per month and the average 3 bedroom rental was \$1070 per month. The majority of 2 bedroom units were apartments and duplexes while the majority of 3 and 4 bedroom units were single-family homes. Listed on the following page are the average asking prices for various types of rentals as advertised during May, 1990.

140 APARTMENTS FOR RENT	140 APARTMENTS FOR RENT	143 DUPLEXES & CONDOMINIUMS FOR RENT	144 HOMES FOR RENT
GILROY 2 bdrm 1 ba, upstairs, AEK, A/C, Indry, \$675 + dep.	MORGAN HILL 2 bdrm, AEK, carpets, drapes, patio, \$555/mo.	HOLLISTER The Terraces- 2bdrm, 1½ ba, 2-story w/gar, close to schools & downtown. \$750/mo + \$500/dep.	GILROY- NEW, NEW, NEW !!! New carpet, new interior & exterior paint, new window coverings, new light fixtures, new tile, gardner. \$1150/mo. 4bdrm, 2ba,
GILROY 2 bdrm, 1 ba, near school, \$575/mo + dep.	MORGAN HILL 3bdrm, 1½ ba, \$775/mo. 3bdrm, 1ba, \$775/mo.	HOLLISTER 3bdrm, 1½ ba, newer Dptx w/small yd & carport, good location. \$720/mo + \$300 dep.	GILROY Quiet Street 3bdrm, 2ba, \$1000/mo. 1st + sec.
GILROY 2bdrm, 1½ ba Townhome near high school \$700/mo + \$700 sec. dep. ask for	MORGAN HILL 2 bdrm, AEK, carpets/drapes, A/C, balcony, \$635.	INVESTORS FINANCIAL SERVICES	GILROY 3bdrm, 2 ba, fam. rm, frplc., cul-de-sac, \$1175/mo + dep.
GILROY 2bd w/new carpet, 1bd dinstr, patio, AC, \$575-\$600/mo.	MORGAN HILL 2 bdrm, 2 story, AEK, carpets-/drapes, \$585.	MORGAN HILL New 3 bdrm, 2 ba, deluxe, w/gar, 140-154 W. Main (next to old Post Office). No pets. From \$995/mo + dep. Roger, Agent.	GILROY Victorian 4bdrm, 1ba, \$950/mo. Discounted rent possibilities, mag
HOLLISTER Cheerful, 2bdrm, \$550/mo + dep. No pets.	MORGAN HILL 2 bdm 1½ ba twnhse style \$650/mo + dep.	ATTN SENIORS New Dix. 1 bdrm twnhms. \$675/up. Section 8 welcome.	GILROY westside, lg 3 bdrm 1ba carpets/drapes, yd, \$825.
HOLLISTER Lrg 2bd apt DW, no pets, \$575/mo + dep. 1341 Carmela Ct #1			

**Illustration #6:**  
**Average Rental Costs**  
**City of Gilroy**

*Average rents  
in Gilroy range  
from \$525 on the  
low end to \$1187  
on the higher end.*

*In 1985, the  
average rent  
for a two  
bedroom unit  
in Gilroy was  
\$655 per month;  
in 1990, the  
average rent  
for a two bedroom  
unit in Gilroy  
was \$675 per month.*

**Apartments:**

- 1 Bedroom - \$525/month**
- 2 Bedroom - \$637/month**

**Duplexes/Condominiums:**

- 2 Bedroom - \$805/month**
- 3 Bedroom - \$933/month**

**Homes for Rent:**

- 1 Bedroom - \$643/month**
- 2 Bedroom - No Listings**
- 3 Bedroom - \$1116/month**
- 4 Bedroom - \$1187/month**

**\$675/month - Average 2 bedroom rental (apartments, duplexes and condominiums)**

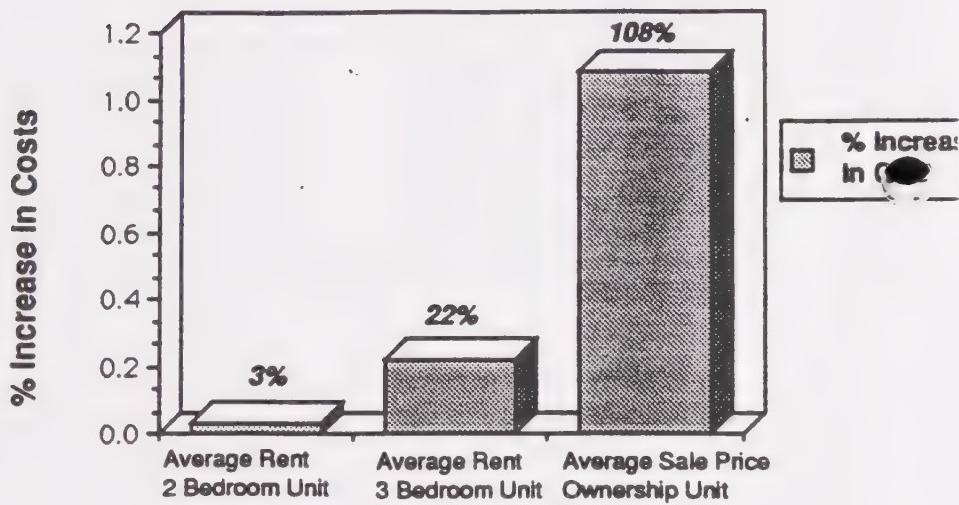
**\$1070/month - Average 3 bedroom rental (duplexes, condominiums and homes for rent)**

*Survey conducted by Freitas + Freitas, Engineering and Planning Consultants. Survey of units for rent as listed throughout May, 1990 in Gilroy "Dispatch."*

It is interesting to compare these rental prices to a survey of rental prices conducted in 1985 by the same consulting firm for the 1986 Housing Element. The 1985 survey was also of "units for rent" as advertised in the local Gilroy newspaper. In the 1985 survey the average monthly rent for a 2 bedroom unit was \$655 and for a 3 bedroom unit was \$880 per month.

**Illustration #7:**  
**Percentage Increase in Housing Costs**  
**City of Gilroy, 1985-90**

*Average rents in the City have increased at a modest rate compared to the dramatic percentage increase in ownership units.*



In comparing the 1985 and 1990 surveys, it appears that the percentage of price increase for rental units has not been as dramatic as for ownership units. In the five year period from 1985-90, rents for 2 bedroom units in Gilroy have increased by 3% and rents for 3 bedroom units increased by 22%. The average sale price for a residential unit in Gilroy, however, has increased by 108% in that same time period.

### Affordability of Housing

The information on the previous pages in regards to housing costs demonstrates the continuing difficulty of securing housing at affordable costs. In Gilroy, as in other California communities, households are often forced to spend more than a reasonable share of monthly income for housing expenses.

Housing is considered "affordable" when a household spends no more than 25-30% of their household income for housing costs. These percentages vary depending on the type of agency administering housing programs (i.e. the Federal housing programs use 30% while State housing programs use the 25%

*A very low income household of 4 persons cannot afford the average rents for either a two or three bedroom unit.*

*A low income household of 4 persons can afford the average 2 bedroom rent but cannot afford the average rent for a three bedroom unit.*

*In order to purchase the average residential unit in the City, a household would need an income of at least \$84,000 annually.*

figure). The percentages also vary depending on household income level. The 25% figure is often used for low and very low income households since they have significantly less available income to start with. For example, 25% of \$600 monthly income is \$150 while 30% of the \$600 is \$200. The extra \$50 can make a significant difference when a household's total income is only \$600 per month. For a household with a \$3500 monthly income however, 25% of \$3500 is \$875 and 30% is \$1125. The household with a monthly income of \$3500 has more ability to "afford" the extra housing cost each month than a lower income household.

In regards to rental housing, the average 4 person low income household in Gilroy (see page 4 of this document for definitions of very low, low, moderate and upper income households) should be able to afford \$743 in housing costs per month, using a 25% housing affordability ratio. It would appear then that the average household could afford the average 2 bedroom rental at \$675 per month but could not afford the average 3 bedroom rental at \$1070 per month. The very low income 4 person household, however, cannot "afford" either the 2 bedroom or 3 bedroom average rental. A very low income 4 person household should theoretically spend only \$480 per month total for housing costs. This household would need to spend 35% of their income for a 2 bedroom rental and a whopping 56% of their income for a 3 bedroom rental.

Gilroy households with incomes above 80% of the median income (households classified as "moderate" income or higher) can afford both the average 2 bedroom and 3 bedroom rental units. An average 4 person moderate income household has a minimum of \$1350 available for housing (using a 30% ratio) and this amount is sufficient for either a 2 bedroom or 3 bedroom rental. Purchasing a home, however, would be very difficult for this household income group. As noted on page 19 of this report, the average sales price of a residential unit in Gilroy in March, 1990 was \$239,400. Assuming a typical 20% downpayment, the annual household income required to purchase this housing unit is \$84,000. The maximum household income for a 4 person household to be considered "moderate" income in Gilroy is \$64,800. Therefore, the average residential unit in Gilroy is theoretically affordable to only "upper" income households.

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## **CHAPTER 3: EXISTING AFFORDABLE HOUSING OPPORTUNITIES**

## **EXISTING AFFORDABLE HOUSING OPPORTUNITIES**

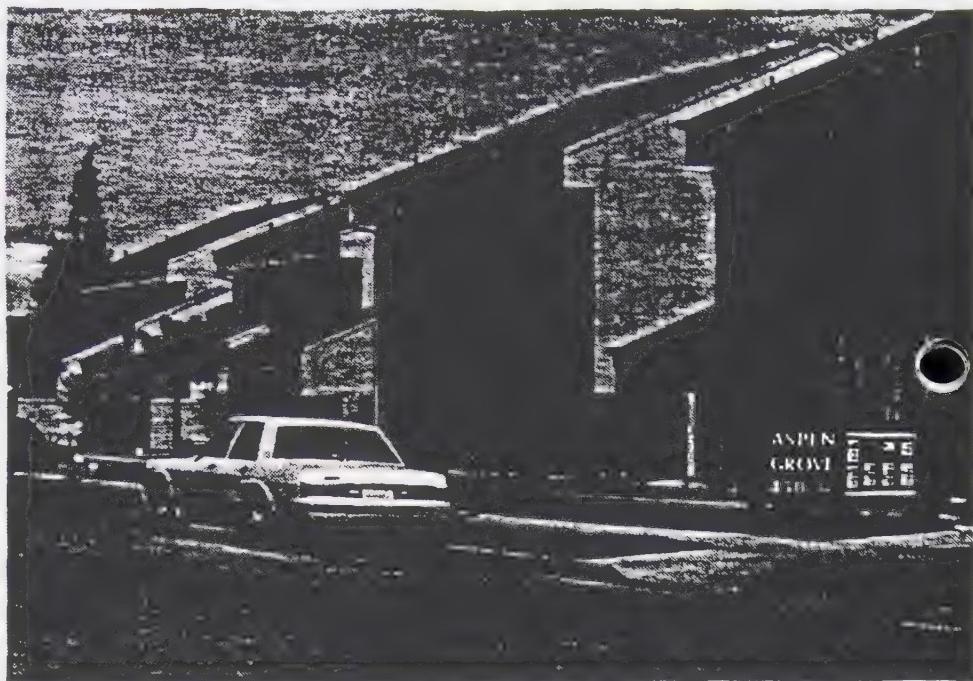
Gilroy has traditionally provided housing that is more affordable than other areas of the County of Santa Clara. Because it is located in the southern end of Santa Clara County, housing has been less expensive than communities in the more northern end of the County where most of the industries and jobs are located. In addition to this locational factor, Gilroy also has been effective in utilizing State and Federal resources in providing affordable housing.

In specific, the City has assisted in providing affordable housing opportunities in the following areas:

- ✓ assisted housing,
- ✓ Section 8 rental subsidies,
- ✓ rehabilitation of existing units,
- ✓ housing related support services, and
- ✓ home purchase.

### **Assisted Housing**

There are currently a total of 594 housing units in the City which have been financed through either the U.S. Department of Housing and Urban Development, U.S. Department of Agriculture, Farmers Home Administration or State of California Housing Programs. Of the 594 units, 405 are occupied by lower-income households who have received or are receiving direct housing assistance. (The difference is attributable to housing units that were financed through HUD mortgage insurance programs and/or units whose occupancy is not restricted to households with specific income levels.) An additional 24 units of rental housing financed through the State of California, Proposition 77 and 84 funds, have been approved and completion is expected in 1991. This project is known as "The Redwoods" and will be built and managed by South County Housing, Inc. Occupancy will be limited to lower-income households with the majority of units being 3 or 4 bedrooms in size (6 units will be 4 bedroom units and 12 will be 3 bedroom units).



*South County Housing, Inc., a local non-profit group, has played a valuable role in providing affordable housing in Gilroy. In addition to building and managing affordable family units, South County Housing, Inc. is in the process of converting Wheeler Hospital into a residential facility for lower income elderly.*

*"Aspen Grove" is a 24 unit development for lower income families built and managed by South County Housing, Inc. The development includes 10 units with four bedrooms each which were specifically designed for large families.*

South County Housing, Inc. is in the process of securing funding for the development of Wheeler Hospital into housing for elderly households. Preliminary estimates are that the development will provide housing for 102 lower income households over the age of 62 years. The development is planned to provide both independent living units as well as assisted units.

Listed on the following page is an inventory of the 594 existing housing units which have been assisted with public funds. Following the inventory is a map which shows the location of those units.

**ILLUSTRATION #8:**  
**PUBLICLY ASSISTED HOUSING DEVELOPMENTS**  
**CITY OF GILROY, 1990**

In 1990, there were a total of 429 assisted units in Gilroy. This number includes the 24 units in the "Redwoods" project which will be completed in 1991.

	Total Units	Assisted Units	Occupants	Program
<b>Milias</b>				
7397 Monterey St.	48	48	Elderly	Sec. 236
Plum Tree West				
1055 Montebello	70	70	Elderly/ Handicapped	Sec. 221 (a) 4 Section 8
<b>Lilly Gardens</b>				
Lilly Avenue	85	85	Family	Section 8
<b>Sunset Gardens</b>				
3rd St. & Wren Ave.	75	75	Elderly	Section 202
<b>The Trees</b>				
Egleberry St.	14	14	Family	FmHA 514/ 516
<b>Maple Gardens</b>				
Stoney Court	18	18	Family	FmHA 514/ 516
<b>Aspen Grove</b>				
8th St. & Chestnut	24	24	Family	FmHA 514/ 516
<b>Laurelwood</b>				
Madison Court	16	16	Family	CHFA
<b>The Redwoods</b>				
(Completion, 1991)	24	24	Family	First-Time Homebuyers Prop. 77/84

Following are units which were developed with public financing but only a portion of the units are assisted currently.

<b>Gilroy Apts.</b>				
500 I.O.O.F. Ave.	110	22	Family	Sec. 236/8 Set-Aside
<b>The Orchard</b>				
Wren-Montebello	80	0	Family	Sec. 221 (d) 4
<b>Pierce St. Apart.</b>				
Pierce Street	54	33	Family	Sec. 236\8 Set-Aside
<b>TOTALS</b>	<b>618</b>	<b>429</b>		



**Location of Publicly Assisted Housing Developments  
City of Gilroy**

- |                      |                              |
|----------------------|------------------------------|
| 1. Milias Apartments | 7. Aspen Grove               |
| 2. Plum Tree West    | 8. Laurelwood                |
| 3. Lilly Gardens     | 9. The Redwoods              |
| 4. Sunset Gardens    | 10. Gilroy Apartments        |
| 5. The Trees         | 11. The Orchard              |
| 6. Maple Gardens     | 12. Pierce Street Apartments |

## Section 8 Rental Subsidies

*The Section 8 Existing Program is operated by the Housing Authority of the County of Santa Clara. The Program provided rental subsidies to 521 households in Gilroy during 1990. Another 430 households with Gilroy addresses were on the waiting list for Section 8 assistance in 1990. It is estimated that these households will have to wait up to 5 years before assistance will be available to them.*

In addition to the units receiving assistance identified on the previous pages, there are approximately 521 households in Gilroy who are receiving rental subsidies through the Section 8 (Existing) program as operated by the Housing Authority of the County of Santa Clara. These households are all lower-income households who are receiving assistance through either the Section 8 Certificate or Voucher program. The Section 8 program provides a financial subsidy which pays a portion of the household's monthly rent. The financial subsidy is paid directly to the landlord and the amount of the subsidy is dependent on the household's income, family size and actual unit rent. Rental units are privately owned and the tenant can choose where they want to live as long as the selected rental unit meets certain housing standards.

The Section 8 Existing program is a very popular program and there currently is a long waiting list for households waiting for assistance. In May, 1990, the Housing Authority reported that there were 430 households with Gilroy addresses who were on the Section 8 waiting list. The majority of those households are family households (79%) and the rest are elderly (11%) and disabled (10%). Of the family households, more than 50% are eligible for a three bedroom or larger unit.

Because there are not enough Section 8 resources to accommodate the demand, households are waiting long periods of time for Section 8 subsidies. Housing Authority staff estimate that households will have anywhere from a 1 to 5 year wait, depending on the size of their household and the unit type. Listed below are the maximum Fair Market Rents currently in effect for the Gilroy area.

### Section 8 Existing Fair Market Rents (10/89)\*

Studio Apartment	\$617/month
One Bedroom	\$747/month
Two Bedroom	\$878/month
Three Bedroom	\$1098/month
Four Bedroom	\$1229/month

\*Rents Include Utilities



*The City of Gilroy has administered a housing rehabilitation program since 1977. The program assists both owner and tenant occupied units. Average rehabilitation cost is \$15,000 per unit.*

*This 4-plex on Fairview Avenue was rehabilitated with the assistance of the City's housing rehabilitation program.*

### **Rehabilitation of Existing Units**

Gilroy has administered a housing rehabilitation program since 1977 and approximately 200 units have been rehabilitated through the program to date (1977-1990). The housing rehabilitation program is designed to assist only lower-income renters and owners. City staff provide support to households with both financial assistance and construction supervision. Utilizing grants from the federal government's "Community Development Block Grant" program and the "Rental Rehabilitation Program," funds are loaned out to eligible property owners. As of May, 1990, the City was collecting approximately \$145,000 annually in loan repayments. These funds are then recycled and reloaned to rehabilitate even more housing units in the future.

In regards to the actual rehabilitation work, the City requires that funds be used to correct Housing Code violations.

The City of Gilroy has provided administrative funds through the Community Development Block Grant Program to several non-profit agencies involved in housing support services.

## Housing-Related Support Services

There are several non-profit agencies that are offering housing related services in the Gilroy area. The majority of these agencies are funded in whole or in part through "Community Development Block Grant" funds through the County of Santa Clara Urban County program. The agencies and the services they provide are:

### 1. Project Match:

This program matches persons with housing to share with other persons who need housing. Elderly households in particular are being helped with this service.

### 2. Shared Housing Program:

This program is operated by Catholic Charities and helps match single parent households for the purpose of reducing housing costs.

### 3. Operation Sentinel:

This program offers housing counseling and mediation service to Gilroy households. In specific, information is provided regarding fair housing, tenant/landlord rights, etc.

### 4. Emergency Housing Consortium:

The Emergency Housing Consortium offer emergency shelters for homeless households in the Gilroy area.

### 5. South County Housing, Inc.:

This non-profit group has built, developed, rehabilitated and managed housing in the South County area for over 11 years. South County Housing is a private, non profit development corporation dedicated to providing shelter to the disadvantaged of South Santa Clara County and San Benito County. As of December, 1990, South County Housing had developed 177 low income units, 125 of which are rental units.

South County Housing also currently owns and manages 77 units (three projects of which are farmworker housing and one for the elderly). All of these units are designed for low income households. All of these projects have on-site managers and a property manager supervisor. South County Housing's prop-

erty management has been reviewed by Farmers Home Administration and received an excellent rating. Their projects have exceptionally low turnover (less than 2%), few collection problems and are well run and managed complexes.

During 1991, South County Housing will be coordinating the development of an additional 170 rental units and 50 self help single family homes. These projects have received funding commitments from the following sources: Rental Housing Construction Program, Farmers Home 514/516 Program, Low Income Housing Tax Credits, California Housing Finance Agency, CDBG funds, private foundations and the American Red Cross Special Disaster Relief Fund. These projects include 20 units in Morgan Hill, 16 units in Hollister and 134 units in Gilroy (24 units: The Redwoods and 110 units: Wheeler House).

### Home Purchase Assistance

In recent years, the City of Gilroy has participated in the "Mortgage Credit Certificate" program sponsored by the County of Santa Clara. Approximately \$1.5 million in certificates have been issued to households in the Gilroy area. These certificates assist households in the moderate income range in purchasing home by providing certain tax benefits. There is only a certain dollar volume of certificates that can be issued statewide and there are also maximum sales prices associated with the program.

### Accessory Dwelling Units

Accessory dwelling units are allowed in the City of Gilroy. These units are designed to be rental units and located on a lot with an existing single family detached unit. The accessory unit must be attached to the existing residence and located within the living area of the existing residence. The new square footage of the accessory unit cannot exceed 25% of the square footage of the existing unit. Since 1985, approximately 5 accessory dwelling units have been constructed in Gilroy. Since accessory units are often more affordable than other types of rental units, the City is interested in encouraging more accessory units. Therefore, Program #4 as described on page 65 of this report has been developed to encourage more accessory units.

## **CHAPTER 4: PROJECTED HOUSING NEEDS**

*The Association  
of Bay Area  
Governments  
(ABAG) has  
estimated  
Gilroy's total  
housing need  
to be 5,145  
units between  
1988-95.*

## **PROJECTED HOUSING NEEDS**

According to State Housing Element Guidelines, Housing Elements should include an analysis of the number of housing units to be built, rehabilitated, and/or conserved in order to meet the locality's current and future housing needs. Following is an analysis of Gilroy's new construction, rehabilitation and conservation needs.

### **New Construction (1988-95)**

The Association of Bay Area Governments (ABAG) has developed estimates of housing need for communities in the San Francisco Bay Area. The ABAG document, Housing Needs Determination (January, 1989), provides information which identifies regional housing needs and responsibilities and provides communities with estimates of projected housing needs from 1988-95. The document bases its estimates by taking into account the following six factors:

- ✓ market demand for housing,
- ✓ employment opportunities,
- ✓ availability of suitable sites and public facilities,
- ✓ commuting patterns,
- ✓ type and tenure of housing, and
- ✓ housing needs of farmworkers.

Using available data and projections based on future employment and population trends, the 1989 ABAG document estimates that the total projected housing need for Santa Clara County is 73,138 for 1988-95. Gilroy's share of that total need is 7% or 5,145. The 5,145 figure was calculated as follows for Gilroy:

Existing Need	45
1988-90 Projected Need	143
1990-95 Projected Need	3760
Alternative Zoning Projected Need	1242
<b>TOTAL PROJECTED NEED</b>	<b><u>5145</u></b>

The "Alternative Zoning" Projected Need is ABAG's attempt to address the jobs/housing imbalance throughout the region. According to the ABAG document (page 23), "alternative zoning" is a regional goal to:

*Expand the supply of Bay Area housing in those communities adding substantially more jobs than*

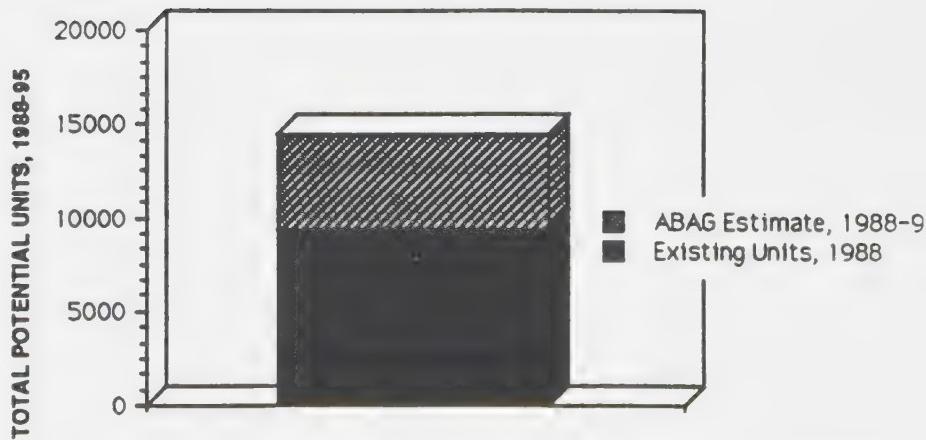
*The ABAG estimate of 5,145 new units to be added between 1988 and 1995 would increase the City's 1988 housing stock by over 50%!*

*accommodating the housing needs for the workers. A regional need exists for such communities to house up to 50% of the difference between the growth in local jobs and the growth in the local labor supply.*

ABAG therefore has assumed that Gilroy will be increasing its labor force substantially in the next few years. Further, ABAG also assumed that Gilroy has sufficient infrastructure to accommodate growth, both job-generating growth (i.e. commercial and industrial facilities) as well as residential growth. As noted in the next chapter, however, there is minimal sewer capacity at the present time to facilitate additional growth. Further, additional capacity is not expected to be available until late 1992 or 1993.

The City of Gilroy has communicated its concerns regarding the projected housing need estimate to ABAG. (Please see copy of letter from Planning Director to ABAG staff, dated 12/30/88, in the Appendix to this document.) Even if new units could be built and there was sufficient sewer capacity, the 5,145 new units would increase the City's existing housing stock by over 50%! This dramatic and substantial amount of new construction and new households would impact all aspects of the residential environment, including traffic, circulation and schools. As noted in Chapter 7 of this document, the City does intend to allocate as many permits as possible for new construction in the 1990-95 time frame but it will be impossible to provide the full 5,145 as estimated by ABAG.

**Illustration #9:  
ABAG Projected Need in Relation  
to Existing Housing Stock**



## ***Need Addressed to Date***

The Housing Needs Determination Plan was developed in 1988 and identified housing needs for Bay Area communities from 1988-1995. Since the updated Gilroy Housing Element was written in 1990, it is important to take into account the needs that have been addressed from 1988 to 1990. According to data from the State of California, Department of Finance there have been 332 new housing units added to Gilroy's housing stock from January 1, 1988 to January 1, 1990. Therefore, while ABAG has projected a need of 5145 new units needed to 1995, the figure needs to be adjusted by 332 units resulting in a revised net figure of 4813 units.

5145 - ABAG Projected Need for Gilroy from 1988-95  
(332) - Units Added to Gilroy stock from 1988-90  
4813 - Remaining Need for 1990-95

## ***Household Need by Income Level***

In addition to projecting overall housing needs, the ABAG Housing Needs Plan also projects housing needs by income category. The intent of this action is to more equitably distribute the type of households by income category throughout a region so that no one community is "impacted" with a particular household income group. The ABAG plan has identified the following objectives for the original 5145 estimate for Gilroy:

Very Low Income Households-	1,132 (22% of total)
Low Income Households	- 823 (16% of total)
Moderate	- 1,080 (21% of total)
Above Moderate (Upper)	- 2,110 (41% of total)

The ABAG plan notes (Page 36 of Housing Needs Plan) that individual communities are not expected to produce the identified amount of very low, low, moderate and above moderate housing. Rather, there should be a "net increase" in the number of available units in each category. Therefore, existing units as well as new units can be counted. Existing units that are rehabilitated or converted from seasonal to year round use are examples of existing units. Because the numbers identified above are for the time period from 1988-95, it is important to account for units that have been provided from 1988-90. Listed

below is a summary of those units:

**Very Low Income Objective (1988-95)**

*1132 - 1988-95 Total Objective*

- (8) - Garfield Court Self Help (1988)
- (49) - Rehabilitated Units Assisted by City of Gilroy Housing Rehabilitation Program (1988-90)
- (12) - The Redwoods (1990-91)
- (8) - Rehabilitated Self-Help Units
- 1055 - REMAINING NEED, 1990-95**

**Low Income Objective (1988-95)**

*823 - 1988-95 Total Objective*

- (8) - Garfield Court Self Help (1988)
- (49) - Rehabilitated Units Assisted by City of Gilroy Housing Rehabilitation Program (1988-90)
- (12) - The Redwoods (1990-91)
- (9) - Rehabilitated Self-Help Units
- 745 - REMAINING NEED, 1990-95**

**Moderate Income Objective (1988-95)**

*1080 - 1988-95 Total Objective*

- 0 - 0 Units Produced (1988-90)
- 1080 - REMAINING NEED, 1990-95**

**Above Moderate (Upper) Income Objective (1988-95)**

*2110 - 1988-95 Total Objective*

- (316) - Units Produced, 1988-90 (332 new units added to housing stock from 1988-90 less 16 units in Garfield Court = 316 units)
- 1794 REMAINING NEED, 1990-95**

**Rehabilitation and Conservation Need**

The most recent information regarding the condition of existing housing units is available from the 1988-91 "Housing Assistance Plan" (HAP) as prepared by the City of Gilroy for the U.S. Department of Housing and Urban Development. The HAP

indicates that there are 1264 substandard units in the City and that, of all those substandard units, 974 are suitable for rehabilitation. The remaining 290 units were considered so substandard that they are not suitable for rehabilitation but rather should be replaced.

In terms of **conservation of units**, there are two categories of housing units that should be evaluated. These are mobile home units and assisted housing units that could be converted to market rate housing. Mobile homes account for 3% of the City's total housing stock; in 1990, there were 335 mobile homes in the City. Mobile homes typically provide affordable housing opportunities, especially for elderly households. These opportunities should be conserved and continued in the future.

In regards to assisted housing units, following are the housing developments in Gilroy that have the potential of converting to market rate housing in the time period from 1990-2000.

Name of Project	Type	Date of Earliest Conversion
Parkview Apts 181 Pierce St.	Family <b>54 units</b>	Nov. 1, 1991 (Sec. 236 Contract)
Plum Tree West 1055 Montebello	Elderly <b>70 units</b>	Aug. 23, 1993 (Sec. 8 Contract)
Milius Apts. 7397 Monterey St.	Elderly <b>48 units</b>	Jan. 30, 1996 (Sec. 236 Contract)

The Parkview Apartments are owned by JMK Investments (10 Saratoga Ave., Santa Clara, CA.) and are financed with a Section 236 mortgage which has an option to prepay in November, 1991. At the time that this report was written, the owners had submitted a plan of action to HUD in which the intent is to prepay the Section 236 mortgage with a HUD Section 241(F) mortgage ("equity take out loan"). Negotiations for this new loan will include possible rent increases with the potential for Section 8 subsidies for very low income households. City staff are following the negotiations between HUD and the owners and will monitor the results of the eventual agreement.

The Milius Apartments are a "Limited Dividend" development owned by Mr. Joe Mattos (7397 Monterey Street, Gilroy, 95020). The Milius Apartments are located in the rehabilitated upper

*There are three housing developments in the City of Gilroy that are assisted with public monies that could be converted to market rate housing in the coming years. The names of the projects and the earliest date of possible conversion are:*

**1990-1995**

*1991: Parkview*

*Apartments*

*1993: Plum Tree*

*West*

**1995-2000**

*1996: Milias Apartments*

floor area of a downtown building. The apartments are small units designed for elderly households. The development was financed with a FHA 236 (J) (1) loan of \$810,000 at 7% interest. The FHA loan's earliest termination date is January 30, 1996 with an option to renew for 20 more years. The Section 8 rent subsidy for 47 of the 48 units expired in 1990 but was renewed to May, 1995.

The Plum Tree West Apartments are listed as owned by Vantage Plum, a "profit motivated" owner (address: 2345 Yale, Palo Alto, Ca. 94306). The 70 units are all one bedroom units designed for elderly households and the development was approximately 12 years old in 1990. The \$1,314,800 loan is a HU 221 (D)(4) loan at 8%. The Section 8 HAP agreement's earliest termination date is August 23, 1993 with an option to renew for 5 more years.

It is estimated that the cost to replace these units with new units of the same size and rent levels would be approximately \$65,000 to \$85,000 per unit in 1990 dollars. The aggregate total to replace each development with new units would be as follows:

Parkview Apts: \$3-5 million dollars (54 units @ \$65-\$85,000/unit)

Plum Tree West: \$4-6 million dollars (70 units @ \$65-\$85,000/unit)

Milias Apts.: \$3-4 million dollars (48 units @ \$65-\$85,000/unit)

Lilly Gardens: \$5-7 million dollars (84 units @ \$65-\$85,000/unit)

The estimates above are for new construction. If the existing units were acquired, it is estimated that the costs of acquisition would be less than the new construction estimates. Potential funding sources include the State loan and grant funds, the Affordable Housing Program of the Federal Home Loan Bank, CDBG funds, and reserve funds (if any) of the Housing Authority of the County of Santa Clara. South County Housing Inc., a local non-profit group, is aware of the potential for conversion of these units and has completed some preliminary work in anticipation of their potential conversion. For a description of the background and previous development experience of South County Housing, see pages 29-30 of this document.

In addition, Housing Program #10 in Chapter 7 of this document addresses the need to identify possible courses of action should the Parkview, Milias Apartments or Plum Tree West attempt to convert to market rate housing.

## **CHAPTER 5: HOUSING CONSTRAINTS**

*There are currently 1,280 vacant residentially zoned acres in Gilroy.*

*These 1,280 acres could accommodate a maximum of 5,810 new units, if built to maximum density.*

### **HOUSING CONSTRAINTS**

There are three areas of importance in evaluating potential constraints to producing housing. These three areas are:

- ✓ amount of vacant or underdeveloped land to accommodate new growth,
- ✓ governmental constraints, and
- ✓ market constraints.

#### **VACANT LAND INVENTORY**

As the map on page 39 indicates, there are approximately 1280 acres of vacant, residentially zoned land within the current incorporated boundaries of Gilroy. According to existing zone densities, these 1,280 acres could accommodate a maximum of 5,810 new housing units, indicating that the City has the land capacity to meet the projected new construction need. (ABAG has estimated that 5,145 new dwelling units will be needed in Gilroy between 1988-95 in order to meet the estimated demand for new housing. After taking into account units built between 1988-90, the ABAG estimated need is adjusted to 4,813 units.)

The majority of vacant, residentially zoned land in the City is zoned for low density use. Approximately 97% of all vacant residential land is zoned for single family use, either in the R1 (Single Family Residential) or RH (Residential Hillside) category. The chart on the following page details the land use breakdown.

**Table #10:**  
**VACANT RESIDENTIALLY ZONED LAND, City of Gilroy**  
**(Net Acreage)**

Zone Category	# of Vacant Acres	Minimum Units	Maximum Units
R1	640	3200 (5/acre)	4640 (7.25/acre)
R2	5	36 (7.25/acre)	45 (9/acre)
R3	35	315 (9/acre)	525 (15/acre)
R4	0	0	
RH	<u>600</u>	<u>600 (1/acre)</u>	<u>600 (1/acre)</u>
<b>TOTAL:</b>	<b>1280 acres</b>	<b>4151 Units</b>	<b>5810 Units</b>

SOURCE: City of Gilroy Planning Department,  
 March, 1990

In terms of infrastructure to service this vacant acreage, there appears to be adequate capacity for all services except for wastewater treatment. The City's water supply is based on a groundwater and well system which appears to be adequate to service the potential demand. Although certain areas of the City have specific areas of concern in regards to storm water, drainage, traffic, school impact, etc., the City does collect special fees to off-set any problems that new development could stimulate in these areas. The most significant and immediate constraint at this time in terms of infrastructure development is the status of the wastewater treatment plant. The City's existing wastewater treatment plant is close to capacity and alternative strategies to increase the system's capacity are currently under review. The wastewater treatment plant situation is discussed in more detail on the following pages.

In summary, then, the City has more than an adequate supply of residentially zoned land to meet the estimated demand for housing. The major constraint to the development of this land is the capacity of the wastewater treatment plant to handle additional wastewater flow. Alternative remedies for increasing capacity are currently being evaluated and the City intends to pursue the most reasonable alternative in as expeditious a manner as possible.



**Vacant Residential Acreage  
City of Gilroy, 1990**

*Darkened Areas Indicate Vacant Residential Areas*

- |    |               |
|----|---------------|
| R1 | 640 net acres |
| R2 | 5 net acres   |
| R3 | 35 net acres  |
| R4 | 0 acres       |
| RH | 600 net acres |

## Governmental Constraints

In planning for the provision of housing, constraints to housing development must be recognized. Many of these constraints cannot be mitigated by local government, particularly those related to the condition of the national economy, but others can be addressed. Constraints to housing include governmental constraints and market constraints.

Governmental regulation, while intentionally regulating the quality of development in the community can also, unintentionally, increase the cost of development and thus the cost of housing. These governmental constraints include land use controls, building codes and their enforcement, site improvement fees and other exactions required of developers, and local processing and permit procedures. Land use controls do limit the amount or density of development, thus increasing the cost per unit. Building codes do set specific building standards which add to material costs and limit building space on a site, thus increasing costs. Site improvements like traffic signals or adjacent streets or sewer improvements will increase an individual project's costs. Fees such as special park or school fees also will increase costs of development, and processing and permit requirements often delay construction, increasing financing and/or overhead which may affect the cost of housing in Gilroy.

### Land Use Controls

The City's General Plan and Zoning Ordinance provide for a range of housing types and density. Densities range from A1 (Agricultural) district which permits a maximum density of approximately one dwelling unit for every 20 acres to the R4 (High Density Residential) district which allows for a maximum density of 30 dwelling units per net acre. In addition, the Zoning Ordinance also contains provisions which allow accessory dwelling units and mobile homes in all residential districts, specifically A1, R1, R2, R3, and R4 districts. Zoning Ordinance regulations also allow residential dwelling units in central district commercial zones (permitted on a conditional use basis and restricted to upper floor areas).

Approximately 48% of all land within the Gilroy incorporated area is zoned for residential usage. The one possible constrain

to the provision of housing in regards to the use of this land is the actual amount of land that is zoned for higher-density as compared to lower-density uses. A significantly larger amount of land is zoned for single-family densities than zoned for the higher densities of R3 and R4 zoning. In fact, only 4% of the City's residentially zoned acreage is zoned R3. This percentage represents approximately 261 acres. This compares to the 2057 acres in the City which are zoned R1 (single-family). In regard to R4 zoning (highest density multi-family), only 6 acres in the City are zoned R4. Further, the only residential acreage in the City's "Urban Services Area" is 134 acres of R1 designated. The chart below details the exact breakdown of acreages by zone category.

*Illustration #11:*  
**Total Residential Zoned Acreage in Gilroy**  
**(Vacant and Developed Land) 1990**

ZONE	TOTAL ACRES	% OF TOTAL ACRES
RH (Residential Hillside)	638 acres	18%
R1 (Single-Family)	2057 acres	60%
R2 (Duplex & Single Family Mix)	201 acres	6%
R3 (Multi-Family)	261 acres	7%
R4 (Multi-Family)	6 acres	<1%
A1 (Agricultural)	<u>276 acres</u>	<u>8%</u>
<b>TOTAL</b>	<b>3439 acres</b>	<b>100%</b>

SOURCE: Gilroy Planning Department, March, 1990

To summarize, the City's current Zoning Ordinance and General Plan provide for a varied range of housing types and densities, including provisions for mobile homes, accessory dwelling units and residential dwelling units in certain commercial areas. The only possible limitation on the type and range of densities allowed is the actual amount of land zoned for higher density usage. Approximately 4 times more land is zoned for single-family than multi-family use (exclusive of RH and A1 zone categories). This data indicates, then, that the lack of more multi-family zoned land is going to be a significant limitation on the ultimate number of units that can be constructed in the future in Gilroy.

two off-street parking stalls per dwelling unit are required for single family and duplex dwellings. Multiple family dwellings require one and one-half stalls per unit or two stalls for units having 3 or more bedrooms. One additional parking stall for guests is required for every four units. In regards to street widths, Gilroy has established minimum street widths but these are typical widths in order to accommodate safe traffic patterns and adequate access for public safety vehicles. Gilroy has established 38 feet as a minimum street width for residential districts.

### **Governmental Fees and Permits**

Since the passage of Proposition 13, fees have become increasingly important in offsetting the costs of City time and services in regulating new development. Fees are viewed as a fair and equitable way to pay for increased demand for such city services as park developments, storm drains, police and fire protection and improvement of major city roadways. For the average dwelling unit constructed in Gilroy, fees are collected for Building, Public Works and Planning Department services, water/sewer/storm drainage improvements, park development, provision of street trees and impact fees for public safety and schools. Listed below are average fees for both single-family and multi-family units in Gilroy as of June, 1990.

### **1990 ESTIMATED FEES FOR 20-UNIT RESIDENTIAL DEVELOPMENTS,**

	Single Family	Multi-Family
Planning Fees	\$ 3,200	\$ 2,250
Public Works	\$48,260	\$41,540
Parks	\$86,040	\$64,540
Street Trees	\$ 4,500	\$ 2,500
Public Safety	\$12,210	\$ 4,070
Building Dept.	\$30,000	\$20,000
School Fees*	<u>\$47,500</u>	<u>\$25,300</u>
<b>TOTALS</b>	<b>\$231,710</b>	<b>\$160,200</b>
 <i>Cost Per Unit</i>	 <b>\$11,585</b>	 <b>\$8,010</b>

\*School Fees are "School Impact Fees" as collected by the school district. The school impaction fee as of July 1, 1990 is \$1.58/square foot.

## **Processing Times and Permit Procedures**

### **1. Permit Processing Time**

Listed below are average processing times for planning application review. As can be noted from the list, the most significant processing constraint in terms of time delay is the limited "window" of time in which residential development application can be submitted. Applications for residential development allocations are accepted only from May 1 - June 1 each year. The limited application period is necessary in order to rate and track applications. However, it also serves as a constraint in terms of delaying the processing of applications and possibly affecting the costs of holding land.

**Table #12:**  
**TYPICAL PROCESSING TIMES FOR**  
**PLANNING APPLICATIONS FOR THE CITY OF GILROY**

<b>TYPE OF REQUEST</b>	<b>FREQUENCY OF HEARING DATES</b>	<b>PROCESSING TIME</b>
General Plan Amendment	Once a year (apply in July)	6-8 months for EIR & review
Urban Service Area Extensions	Once a year (apply in July)	6 weeks to Plan. Com. 2-4 weeks to City Council Indefinite at LAFCO
Residential Development	Once a year (apply in May/ June)	4-5 month review period
Annexations (with prezoning)	Once a month	5 weeks to Plan. Com. 2-4 weeks to City Council- Indefinite at LAFCO
Zone Change	Once a month	5 weeks to Plan. Com. 2-4 weeks to City Cou.
Tentative Subdivision map	Once a month	5 weeks to Plan. Com. 2-4 weeks to City Cou.
Variance	Once a month	5 weeks to Plan. Com.
Conditional Use Prt.	Once a month	5 weeks to Plan. Com.
Architectural and Site Development Appr.	As needed	2-3 days to Plan. Com.

## **2. Residential Development Allocation Process**

In terms of housing production, the most significant City procedure is the allocation of building permits through the "Residential Development Ordinance". This ordinance was first developed in 1979 and was designed to monitor the amount of residential growth in the City. The intent of the ordinance is to:

- a. *Encourage a rate of growth which will not exceed the City's ability to provide adequate and efficient public services (including sewer, water, police, fire, streets, parks, general administration, etc.) or the ability of the local economy to support such growth.*
- b. *Maintain and improve the quality of the environment considering the City's natural setting, including hillsides, water courses, viable agricultural/open lands, recreational, historic and scenic areas.*
- c. *Provide and maintain a balanced community with adequate housing to meet the needs of local employment and residents.*
- d. *Provide and maintain an appropriate share of the regional need for housing.*
- e. *Provide and maintain housing programs and activities to enable the City to meet the needs of all economic segments of the community.*
- f. *Provide and maintain a sound economic base for the City.*

Each year the City Council rates and ranks proposed residential development projects according to an established evaluation process which assigns points based on such factors as access to existing City utilities and services, variety of housing type and density, housing affordable to low and moderate income persons, site design factors and community benefits. Since the allocation process was initiated, approximately 1795 units have been approved for development, averaging 350-400 units per year approved. As these numbers indicate, then, Gilroy's Residential Development Ordinance has not prohibited residential

been approved for development, averaging 350-400 units per year approved. As these numbers indicate, then, Gilroy's Residential Development Ordinance has not prohibited residential development but rather has monitored and regulated the number of units allowed based on which units would best meet the needs of the community. In addition, the RDO process does allow exemptions for projects that are sponsored and funded by a governmental agency and are approved by a referendum vote or are 20 units or less. The 20 unit maximum has presented a problem in the past in terms of projects that were definitely affordable projects but were more than 20 units.

Due to the imposed moratorium and uncertainty regarding future sewer capacity in the City (see discussion below), the City Council had to set the number of permits to be distributed through the Residential Development Allocation Process at 0 for the past 6 years. Approximately 20-25 permits per year have been made available for projects that are 4 units or less and therefore exempt from the Residential Development Ordinance. At the time this Housing Element Update was prepared, it was anticipated that improvements to the sewer treatment plant would be completed by 1994 and allocations could once again be issued. The number of allocations that are expected to be available each year beginning in 1994 is 450 allocations or a total of 900 allocations for the years 1994 and 1995.

### ***Infrastructure Capacity***

The single most important constraint to the further development of new residential units in Gilroy at this time (1990) is the limited capacity of the City's wastewater treatment plant to handle additional demand. The current municipal wastewater treatment plant is operating at near capacity and has been plagued with various design and odor problems since it was first constructed.

The plant is jointly operated by and serves the cities of Gilroy and Morgan Hill. Problems associated with the wastewater treatment plant first became public in 1983 when unanticipated legal action forced the Regional Water Quality Control Board to issue a "cease and desist" order because of operation and capacity problems. The major issue regarding the plant is capacity. The plant is rated at 6.1 million gallons per day (mgd) capacity and it currently almost at capacity.

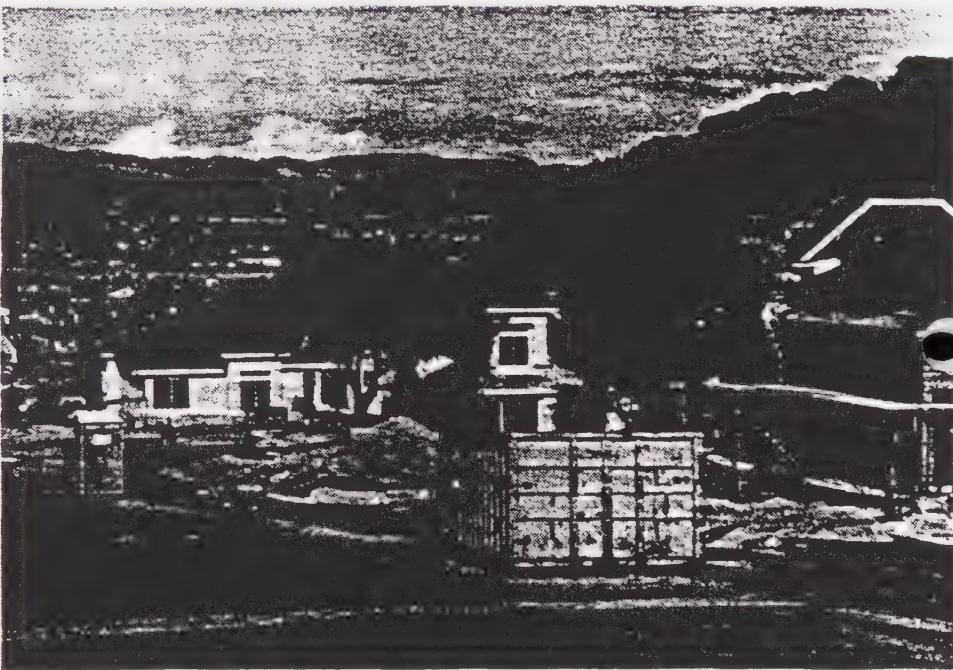
*Capacity at the City's Wastewater Treatment Plant is the single most important constraint to providing additional housing units.*

Because of the serious and extensive issues associated with increasing the capacity of the plant, the cities of Gilroy and Morgan Hill have identified several options for increasing capacity and an Environmental Impact Report has been prepared for those options. Once an option is selected, it is estimated that construction work to increase capacity could be completed by 1994. In the meantime, the Gilroy City Council is evaluating the feasibility of developing satellite sewage treatment plants or double teaming the construction and engineering work on the existing plant. The ultimate goal of the sewer treatment plant improvements is that, by the year 2010, the plant would have a 14.9 mgd capacity which is approximately 2.5 times the current capacity.

### Market Constraints

There are a number of costs involved in the development of housing. These include land and construction costs, site improvements (street, sidewalks, etc.), sales and marketing, financing and profit. Because these costs are so "market-sensitive" it is difficult for a local governmental body to reduce them in any way.

Financing costs in particular are dependent on national economic trends and policy decisions. Gilroy is part of the Santa Clara County housing market and there are an array of financing alternatives available in the Santa Clara County area. Funds for new construction and residential mortgages are available from both banks and savings and loans institutions as well as private mortgage brokers. At the time this document was prepared (mid-1990), fixed mortgage rates fluctuated between 10-12% depending on the size of the loan. Adjustable rate loans were available at "teaser" rates as low as 7% but the actual "Annual Percentage Rate" being more in the range of 10-11%. Some of the adjustable rate loans were also based on negative amortization. In regards to the availability of financing, then, in Gilroy the constraint is not in terms of availability of funds but rather the high cost of purchasing housing. In other words, the sales price of homes, both for existing and new construction is a major constraint rather than the availability of financing.



*Labor and material costs for new construction are a major part of the higher costs for residential units. In Gilroy, costs are now ranging between \$60 to \$100 or more per square foot.*

As is true for most other California communities, Gilroy has seen an increase in housing costs over recent years, especially for homeownership. As the information on pages 18-21 of this document indicates, homeownership costs have increased dramatically. The chart on page 21 illustrates that the average rental cost for a 3 bedroom unit increased by 22% between 1985 to 1990 in Gilroy while the average sales price for a residential unit increased by 108%. This increase in costs has definitely affected the affordability of housing for many households.

One of the factors affecting the cost of housing is the increasing labor and material supply costs involved in housing construction. It is currently estimated that new construction costs for residential units range from \$60 per square foot to \$100+ per square foot. For homes with additional amenities such as specialty plumbing fixtures, upgraded floor and wall materials, expensive countertop materials, etc. the square footage cost can spiral up to \$150 per square foot. Even at the lower end of \$60 per square foot, a modest 2000 square foot home can cost

\$120,000 for construction costs only. Added on to this \$120,000 figure would be the additional costs of site acquisition, utility and infrastructure hook-up, governmental fees and permits and overhead and profit (if not owner-built). This increasing spiral of costs for site built homes has led several communities to encourage more cost-effective construction techniques, including manufactured housing. Recent estimate of square footage costs for manufactured housing units range from \$25-40 per square foot, including transportation and site work. This reduction in square footage costs can substantially affect the cost and the affordability of housing. Housing Program #12 in Chapter 7 of this document addresses the need to evaluate the potential for more manufactured housing units in the City.

Land costs (site acquisition) are an additional factor in the cost of housing. The cost of land varies depending on such factors as parcel size, topography, environmental constraints, zoning and General Plan land use designation, availability of infrastructure and location. In Gilroy, the average-per-unit cost of land is approximately \$100,000. This estimate is based on the average cost of parcels ranging from very expensive single-family parcels to more reasonable multi-family parcels. On a per unit cost, the land cost for a multi-family development in Gilroy in 1995 would be below \$100,000 while the land cost for a single-family, detached unit would be at or above the \$100,000 cost.

## **CHAPTER 6: REVIEW OF THE 1986 HOUSING ELEMENT**

### **REVIEW OF THE 1986 HOUSING ELEMENT**

The City of Gilroy's most recent Housing Element was revised during 1985-86. The Planning Commission and City Council approved the revised document in the Spring of 1986 and the final document was then reviewed by the State of California, Department of Housing and Community Development (HCD). In October of 1986, the City was notified by HCD that the final document was found to be in compliance with State Housing Element Law. The 1986 Housing Element then is the policy document that the City has used in reviewing and assisting proposed housing activity in the community from 1986 to the time of this update (1990).

As an integral part of the Housing Element update process, State Housing Element Guidelines require that communities evaluate their previous Housing Elements according to the following three criteria:

- ✓ Effectiveness of the Element,
- ✓ Progress in Implementation, and
- ✓ Appropriateness of Goals, Objectives and Policies.

The information that follows evaluates the Gilroy 1986 Housing Element according to the three criteria listed above.

#### **Effectiveness of the 1986 Element in Attaining the Community's Goals and Objectives**

The 1986 Housing Element identified three broad housing goals and 21 housing programs to address those goals. The three housing goals are discussed on pages III-1 to III-3 of the Housing Element Technical Appendix and are as follows:

##### **Summary of Housing Goals (1985-90)**

<b>New Construction Goal:</b>	<b>1125 Units</b>
<b>Affordability Goal:</b>	<b>166 Households</b>
<b>Rehabilitation/Conservation Goal:</b>	<b>119 Units</b>

These three goals are reviewed in more detail on the following pages.

## **New Construction Goals**

The 1986 Housing Element included estimates which indicated the possibility that 10,260 households would be residing in Gilroy by 1990 and that the total housing stock at that time should be 10,670 housing units. These projections were based on an estimate by ABAG (Association of Bay Area Governments) in which factors such as current population, employment trends, infrastructure capacity and land availability were evaluated and considered. This estimate assumed that the City's sewer capacity and delivery system would be addressed and probably resolved by 1990. Unfortunately, this issue is still being addressed and has affected the number of new housing units that could have been added to the housing stock between 1985-90. However, even with the constraint of sewer capacity and delivery, the number of housing units and households in Gilroy has increased since 1985. Listed below are the number of housing units and households in Gilroy on an annual basis since January, 1985.

**Illustration #13:  
Housing Units and Households  
1985-90**

	<i>Housing Units</i>	<i>Households*</i>
<i>January 1, 1985</i>	8,421	8,115
<i>January 1, 1986</i>	8,668	8,312
<i>January 1, 1987</i>	8,961	8,618
<i>January 1, 1988</i>	9,397	9,041
<i>January 1, 1989</i>	9,612	9,285
<i>January 1, 1990</i>	9,729	9,414

\*Households as represented by "occupied housing units"

Source: State of California, Department of Finance  
(Demographic Research Unit)

Since 1985 then, the City's housing stock has increased by 1,308 new units or a 16% increase overall. The number of households in the City has also increased by 16% from 1985-1990.



*These multi-family units are representative of some of the newer residential units constructed in Gilroy in recent years.*

The 1986 Housing Element recognized that the sewer capacity issue might affect future housing construction. Therefore, although ABAG estimated that 2,249 new units would be needed between 1985-90 to accommodate estimated demand, the Gilroy Housing Element set a more realistic goal of 1,125 new units for that same time period (see page III-I of the 1986 Housing Element Technical Appendix). These 1,125 units represent approximately 50% of 2,249 new units projected by ABAG.

As the data in the table above indicates, the City has exceeded its goal of 1,125 new units from 1985-90. In 1985, the City's housing stock consisted of 8,421 units; by 1990, the housing stock had increased to 9,729 or an increase of 1,308 new units overall. Therefore, the City has been very effective in meeting its identified new construction goal from the 1986 Housing Element. The original goal of 1,125 new units has been achieved and an additional 183 units over and above the goal has also been provided since 1985.

### **Affordability Goal**

The goal as identified in the 1986 Housing Element was to assist 166 households in terms of affordable housing. From 1986-1990, the following has been achieved:

#### **16 units - Laurelwood Self-Help Housing**

(16 units of self-help, new construction for first-time homeowners coordinated by South County Housing, Inc. with assistance from the City of Gilroy)

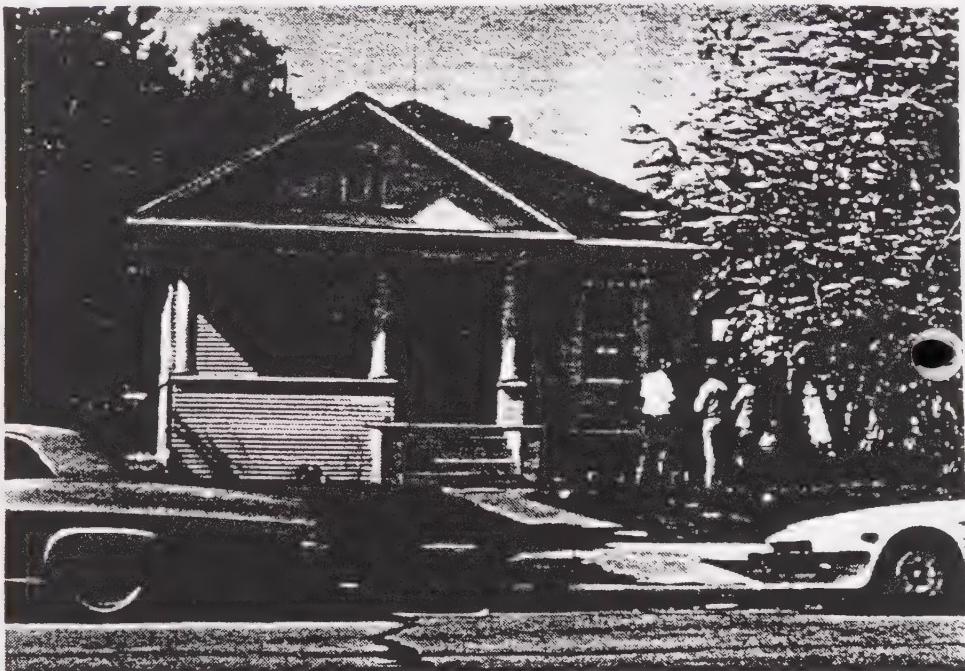
#### **24 units - The Redwoods Rental Housing**

(24 units of rental housing for lower income households, developed by South County Housing, Inc. with assistance from the City of Gilroy, completion expected by 1991)

The information above indicates that approximately 40 households either have been or will be assisted with affordable housing due to actions taken between 1986 and 1990. Also during that same time period, it should be noted that an additional 168 Section 8 subsidies (Existing) were provided to Gilroy households through the Housing Authority of the County of Santa Clara. In addition, the City has also used CDBG (Community Development Block Grant) funds to assist several non-profit organizations which have provided housing support to lower income households. Project Match, Catholic Charities and the Emergency Housing Coalition have all received administrative funds from Gilroy's CDBG allocation.

### ***Rehabilitation Goal***

The goal listed in the 1986 Housing Element for rehabilitation of housing units using public funds was 119 units. These units were expected to be assisted using federal, state and local funding sources.



*These "before" (above) and "after" (below) pictures illustrate the improvements to a Gilroy home after participation in the City's Housing Rehabilitation Program.*



The City of Gilroy's housing rehabilitation program has utilized Community Development Block Grant Funds (CDBG) and Rental Rehabilitation Program (RRP) funds during the 1986-90 period to assist property owners with the rehabilitation of their units. Listed below are the units assisted since 1986 with those funds:

44 units: City of Gilroy, CDBG funded Housing Rehabilitation Program (1986-December, 1989)

12 units: City of Gilroy, CDBG funded Housing Rehabilitation Program (anticipated # of units to be assisted during 1990)

42 units: City of Gilroy and County of Santa Clara, RRP funded Housing Rehabilitation Program (1988 and 1989-90)

17 units: Self-Help Rehabilitation, South County Housing  
**115 units TOTAL (23 Units Annually)**

In addition to the programs above, there were units rehabilitated in 1989 and 1990 as a result of the 1989 Loma Prieta earthquake. As of May, 1990, the City of Gilroy anticipates assisting a minimum of 40 households with State of California assistance. Other households in the Gilroy community have also received financial assistance from the federal government (Small Business Administration and Federal Emergency Management Association) in order to help them repair their homes as a result of the earthquake.

### Progress in Implementation

Listed on the following two pages is a summary of each of the housing programs included in the 1986 Housing Element with an evaluation of the objectives achieved between 1985-1990. Below is listed the overall goals and achievements from 1985-90 for each of the three categories cited in the 1986 Element.

	<b>1985-90 Goal</b>	<b>1985-90 Achievement</b>
New Construction	1,125 Units	1,308 Units
Affordability	166 Households	40 Households
Rehabilitation/ Conservation	119 Units	115 Units

**HOUSING PROGRAMS IDENTIFIED IN 1986 HOUSING ELEMENT**

**Table #14:**

**OBJECTIVES ACHIEVED, 1985-90**

**POLICY 1:**

**Program A and B: New Construction of 1125 units between 1985-90**

**Objective Achieved:  
1308 Units Added Between 1985-90**

**Program C: Consider Increasing # of Units that can be Exempted  
from Residential Development Ordinance**

**Non Profit Organizations with Projects of  
20 or less units are exempt**

**Program D: Encourage Accessory Units: 10 Unit Objective**

**Objective Achieved:  
5 Accessory Units**

**Program E: Secondary Unit Program**

**Program No Longer Available**

**POLICY 2:**

**Program A: Continue to Support Non-Profit Developers**

**Assistance provided to South County  
Housing for 16 Unit "Laurelwood" and  
24 Unit "Redwoods" projects**

**Program B: Investigate feasibility of rezoning more land to  
R-3 category**

**Objective Achieved:  
9 additional acres of land have been  
rezoned to R-3 since 1986**

**Program C: Assist qualified developers with financing assistance**

**No requests for assistance**

**Program D: Provide Information regarding HODAGs**

**HODAGs are no longer available**

**HOUSING PROGRAMS IDENTIFIED IN 1986 HOUSING ELEMENT**

*Table #14:*

**OBJECTIVES ACHIEVED, 1985-90**

**POLICY 4:**

Program A: Encourage Shared Housing Opportunities for Elderly and Single Parent Households

Program B: Modifications to Housing Units Occupied by Physically Disabled Households

Program C: Homeless Households

**POLICY 5:**

Program A: Housing Rehabilitation Program with goal of 20-25 units rehabilitated annually

**POLICY 6:**

Program A: Continue to Support Fair Housing Programs

**POLICY 7:**

Programs A, B and C: Energy Conservation/Solar Access Ordinance

**POLICY 8:**

Program A: Continue to Administer Historic Structure Requirements

City has assisted in funding "Project Match" and Shared Housing Programs

City Continues to Support County Funded Programs

City Continues to Support Homeless Programs

Objectives Achieved:  
23 Units Rehabilitated Annually

City Continues to Support Fair Housing Programs

City Continues to Support Energy Conservation efforts; Solar Access Ordinance Not Yet Approved

Ongoing

## Appropriateness of Housing Goals and Policies

The 1986 Housing Element identified 8 policies in order to address the three specific goals of 1,125 new units (new construction goal), 166 households assisted (affordability goal) and 119 units rehabilitated or conserved (rehabilitation goal). These 8 policies are described below along with a summary of the appropriateness of continuing these policies for the 1990-95 time period.

*Policy 1: The City will continue to work towards the goal of a balanced community with a variety of housing types and prices, sufficient job opportunities, and an efficient and adequate provision of City services and amenities.*

With the continued work on providing adequate sewer capacity for new construction, this policy is still appropriate for the 1990-95 Housing Element. In reviewing the accomplishments from 1986, however, it is apparent that more emphasis needs to be placed in order to ensure that a variety of housing types and prices is produced in newly constructed units and that more affordable units are added to the housing stock. In specific locations for new construction residential units need to be targeted to housing affordable to specific income groups, especially low and moderate income households.

*Policy 2: The City will encourage the construction of multi-family units, especially units suitable for lower-income households and large families.*

*Policy 3: Because existing rental units are commonly the most "affordable" housing for lower-income households, the City shall encourage the conservation of the rental stock.*

Both Policies 2 and 3 encourage the provision of housing that is affordable to lower income households. This housing has been identified as multi-family units, particularly rental units. A review of housing costs for Gilroy households (see pages 18-21

of this document) indicates that lower income households, especially very low income households, are in need of affordable rental housing. Current rental rates in Gilroy are "unaffordable" to almost all very low income households and some low income households. The provision of rental housing, either through the conservation of the existing stock or the provision of new multi-family units, is still an important policy to continue in the 1990-95 time period.

**Policy 4:** *Agencies funded through the County of Santa Clara "Community Development Block Grant" program will continue to be encouraged to provide services to Gilroy households, especially to households with special needs.*

Community Development Block Grant funds are an important source of administrative funds for non-profit housing agencies providing services to Gilroy households. The City of Gilroy has a history of supporting such agencies and it is expected that tradition will continue to be supported in the future. Therefore, this policy continues to be important from 1990-95.

**Policy 5:** *Rehabilitation of substandard housing units will be encouraged and financial assistance will be provided whenever feasible.*

Because the housing stock continues to age, rehabilitation of substandard housing continues to be an even more important priority for 1990-95. The City of Gilroy has assisted in providing funds for the rehabilitation of approximately 115 housing units from 1985-90 and it is anticipated that the City will continue to provide such funding resources as long as they are available.

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*Policy 6: The City will promote equal housing opportunities for all residents regardless of age, sex, race, marital status, ethnic background, income and other arbitrary factors.*

Equal housing remains an important housing objective. The City has supported the services of "Operation Sentinel," a fair housing agency, in recent years and will continue to encourage the provision of fair housing services in the future.

*Policy 7: The City will encourage public awareness of residential energy use and will support energy conservation efforts whenever feasible and appropriate.*

Energy conservation will continue to be a priority from 1990-95. This policy is appropriate to continue in the future.

*Policy 8: Houses or neighborhoods of historic significance will be preserved and protected.*

Gilroy's important resource of historic structures is well-documented and appreciated in the community. The policy of preserving and protecting the structures continues to remain important and worthy of continuing from 1990-95.

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## **CHAPTER 7: HOUSING POLICIES AND PROGRAMS**

## **HOUSING POLICIES AND PROGRAMS**

Based on information as provided in Chapters 1 through 6 of this document, housing policies and programs for the 1990-95 time frame have been developed. These policies and programs were developed after reviewing the housing programs and policies from the 1986 Housing Element (Chapter 6) as well as a review of the current housing market in Gilroy (Chapters 1-3), a projection of future needs (Chapter 4), and an evaluation of constraints to the production of housing (Chapter 5).

For example, in Chapter 6, "Review of 1986 Housing Element," the existing policies and programs of the 1986 Housing Element were evaluated for effectiveness and appropriateness. As that review indicates, the City of Gilroy was successful in achieving its quantified goals for New Construction and Rehabilitation/Conservation of Units. However, the City fell short of achieving its goals for producing more affordable housing. This is one area, therefore, that is emphasized in the 1990-95 anticipated housing programs.

In regards to continuing existing housing programs into the future, the review of the accomplishments and the policies from the 1986 Housing Element indicated that the policies from the 1986 Element are still appropriate for the 1990 Housing Element. Therefore, the basic direction and policy framework of the 1986 Housing Element will continue to be followed in the 1990 Housing Element. However, in light of the current housing market and projected housing needs, it is evident that some of those 1986 policies and programs need to be strengthened and expanded. In specific, the following changes need to be made for the 1990 Element:

- revise the Residential Development Ordinance so that more housing is provided that is affordable to low and moderate income households,
- encourage the development of more affordable units in projects that are exempt from the RDO or sewer allocations, such as in-fill development or accessory units,
- direct more attention to the housing needs of very low income and low income renter households, and
- provide more affordable rental housing through either new construction or rehabilitation of existing units.

In order to help achieve the objectives listed on the previous page, it is also recommended that the City take a more active role in the development of housing policy and programs in the 1990-95 time frame. The creation of a permanent citizen advisory committee is one of the recommended housing programs as well as the possibility of employing a Public Education Officer as a staff person to help in informing the public of housing opportunities, rights and responsibilities.

### ***New Construction Estimates***

An area of concern that surfaced during the review of the City's projected housing needs for the 1990-95 time frame was the unrealistically large ABAG estimate of projected housing need. As noted in Chapter 4 of this document, ABAG has estimated that 5,145 units are needed from 1988-95 to accommodate projected housing needs for Gilroy. After adjusting for units added to the housing stock from 1988-90 (332 units total), the remaining need for 1990-95 is 4,813 units. While the analysis of vacant and underdeveloped land (see pages 37-39) indicates that there is sufficient land available to accommodate that number of units, there is not sufficient infrastructure available. In specific, one of the constraints identified to new housing development (see pages 46-47) is the lack of available sewer capacity. Assuming that the City is able to provide additional sewer capacity in the 1990-95 time frame, there is the potential of only 1000-1400 permits that could be issued during that time frame. There is no possibility that the entire 4,813 estimate could be provided with sewer service during that time frame.

One other objection to the 4,813 estimate is the fact that the addition of this large of a number of units to the City's housing stock would increase the City's existing housing stock by approximately 50%. To expect a City to increase its housing unit count by 50% in just a 5 year period is an unrealistic and problematic request. This dramatic increase in the City's housing stock would impact all aspects of the residential environment including traffic and circulation, school enrollment and overall quality of life.

### ***Summary***

In summary, then, the 1990-95 Housing Programs will continue in the overall direction of the 1986 Housing Element with additional emphasis placed on the provision of more affordable

housing units, the conservation of the existing stock of affordable unit, increased City efforts in housing policy and development and the allocation of permits for new construction subject to the availability of adequate sewer capacity. The goals for new construction, affordability of units and rehabilitation/conservation are listed below. On the following pages then are the descriptions of the actual housing programs which will implement the identified goals.

**Illustration #15:  
HOUSING GOALS FOR 1990-1995**

<b>CONSTRUCTION GOAL: 1320-1520 Building Permits or Residential Development Allocations</b>	<p><b>Programs to Assist in Achieving New Construction Goal:</b></p> <ul style="list-style-type: none"> <li>Program #1: Residential Development Ordinance (900 Units - RDO Allocations)</li> <li>Program #2: 100% Affordable Projects / RDO Exempt (44-60% of all RDO Allocations = 400-600 Units)</li> <li>Program #3: Accessory Unit Program (20 Accessory Units - Building Permits)</li> </ul>
<b>AFFORDABILITY GOAL: 752-952 Units Affordable to Very Low, Low and Moderate Income Households</b>	<p><b>Programs to Assist in Achieving Affordability Goal:</b></p> <ul style="list-style-type: none"> <li>Program #2: 100% Affordable Projects / RDO Exempt <i>44-60% of all RDO Allocations</i> (400-600 Very Low and Low Income Units)</li> <li>Program #3: Inclusionary Housing Units <i>25% of all RDO Allocations</i> (225 Very Low, Low and Moderate Units)</li> <li>Program #13: Wheeler Senior Center Facility (102 Households Assisted)</li> <li>Program #14: Shared Housing (25 Households)</li> </ul>
<b>REHABILITATION GOAL: 100-125 Units</b>	<p><b>Program to Assist in Achieving Rehabilitation Goal:</b></p> <ul style="list-style-type: none"> <li>Program #17: Housing Rehabilitation Program (100-125 Units Rehabilitated)</li> </ul>
<b>CONSERVATION GOAL: 172 Units Preserved 335 Mobile Homes Conserved</b>	<p><b>Programs to Assist in Achieving Goal:</b></p> <ul style="list-style-type: none"> <li>Program #10: Preservation of Existing Assisted Units (172 Units)</li> <li>Program #12: Conservation of Existing Mobile Home Stock (335 Existing Mobile Homes)</li> </ul>

**Policy A:**  
*Encouraging a balanced community and providing a variety of housing types and prices.*

**Policy A: The City will continue to work towards the goal of a balanced community with a variety of housing types and prices, sufficient job opportunities, and an efficient and adequate provision of City services and amenities.**

***Program #1: Provision of More Affordable Units Through The Residential Development Ordinance***

**Description of Program:** Assuming sufficient sewer capacity, permits for new construction are issued through the Residential Development Ordinance Process. The current allocation limit is 450 units per year, effective in 1994. The City will evaluate the effectiveness of this program and make necessary changes so that more affordable housing units are produced. Changes to the Residential Development Ordinance should be made to reduce the current impediments to construction of affordable units. Specific actions to be undertaken include:

- 1. Evaluate current process for allocation of permits so that greater emphasis and more points are given to projects that will provide long-term affordable housing for very low, low and moderate income households.*
- 2. Revise point allocation system so that more emphasis is placed on developments that provide a mixture of housing types (i.e. single family as well as multi-family units) within a specific project.*
- 3. Provide a mechanism to ensure long-term affordability or, in the alternative, a mechanism to recapture the investment if affordability is lost.*
- 4. Provide sufficient staff resources to monitor long-term affordability guarantees of affordable projects.*

**Responsible Party:** City of Gilroy Planning Department, Housing Task Force and Development Community

**Time Frame:** 1990-1995

**Objective:** 900 Allocations Issued

***Program #2: 100% Affordable Housing Projects***

**Description of Program:** The allocation limit as set by the City Council for the Residential Development Ordinance process is 450 units per year estimated to begin in 1994. The City will evaluate the appropriateness of this limit in light of the future demand and community needs which will exist when sewage capacity becomes available. The City will evaluate the impact

**Policy A:**  
*Encouraging a balanced community and providing a variety of housing types and prices.*

(Continued)

of waiving projects which are 100% affordable to very low and low income households from certain requirements of the Residential Development Ordinance process. In specific, those requirements would include application submittal and processing time frames as well as possible exemption from the maximum number of allocations allowed. All other requirements of the Residential Development Ordinance at that time would remain in effect.

**Responsible Party:** City of Gilroy Planning Department and Housing Task Force

**Time Frame:** 1990-91

1992-95 (Implement revisions)

**Objective:** Units Affordable to *Very Low Income* : 22-30% of all Residential Permits Allocations (200-300 Units)

Units Affordable to *Low Income* : 22-30% of all Residential Permit Allocations (200-300 Units)

#### ***Program #3: Inclusionary Housing Program***

Using collaborative community input, the City will develop a program which requires developers participating in the Residential Development Ordinance allocation process to provide 25% of their units at below-market rents or prices, contribute lieu fees or a combination of both so that the equivalent of 25% of their units are affordable to very low, low and moderate income households.

**Responsible Party:** City of Gilroy Planning Department, Housing Task Force, Development Community

**Time Frame:** 1990-91 (Develop Program)

1992-95 (Implement Program)

**Objective:** 25% of all Residential Allocation Permits Issued  
(Estimated Units Produced = 225 Units)

#### ***Program #4: Accessory Unit Program***

**Description of Program:** This program provides for the provision of an additional unit on existing residential properties, subject to certain conditions. Staff will prepare an inventory of the amount, location and affordability of existing accessory units to determine what improvements and modifications may be needed in the Zoning Ordinance to encourage construction of new accessory units.

**Responsible Party:** City of Gilroy Planning Department Housing Task Force

**Time Frame:** 1990-95

**Objective:** 20 Accessory Units

*Policy A:  
Encouraging a  
balanced community  
and providing a  
variety of housing  
types and prices.  
(Continued)*

***Program #5: Infill Development***

**Description of Program:** The City will evaluate the current development standards to determine whether they inhibit development of irregular, small or otherwise substandard parcels. Staff will prepare and disseminate a current and accurate vacant land parcel inventory.

**Responsible Party:** City of Gilroy Planning Department and Housing Task Force

**Time Frame:** 1991-92

***Program #6: Mixed Use Development***

**Description of Program:** Mixed use development allows residential units to exist in conjunction with another use in the same building, such as commercial. Currently, the City allows mixed use development in the C2 (downtown) district. The City will evaluate the existing zoning, PUD Ordinances and site plan requirements to determine whether specific changes are needed to implement this program more effectively and to provide greater opportunities for mixed use development in other areas of the City. The City will provide incentives, such as density bonuses or allowing residential units to exceed the site's commercial floor area ratio, to encourage housing development in the downtown, consistent with the downtown revitalization program.

**Responsible Party:** City of Gilroy Planning Department

**Time Frame:** 1991-92

**Objective:** Encourage additional housing units in vacant or underutilized upper floor areas.

***Program #7: Redevelopment Program***

**Description of Program:** The City has been considering the feasibility of establishing a Redevelopment Agency. If such an agency is established and tax increment funds collected, a minimum of 50% of the tax increment funds shall be used to provide affordable housing opportunities that reflect the goals and policies of the Housing Element.

**Responsible Party:** City of Gilroy Planning Department

**Time Frame:** 1990-1995

**Policy A:**  
*Encouraging a balanced community and providing a variety of housing types and prices.*

*(Continued)*

**Policy B:**  
*Encourage more multi-family units, especially those suitable for lower income households and large families.*

**Policy C:**  
*Conserve the existing affordable housing stock, especially rental units.*

**Program #8: Adaptive Reuse**

**Description of Program:** The City will encourage the adaptive reuse of buildings for affordable housing opportunities. The City will prepare an inventory of potential adaptive reuse possibilities within Gilroy (i.e. the cannery) and review the Zoning Ordinance, development standards and the Building Code in the context of facilitating future adaptive reuse. Revisions will be made as necessary.

**Responsible Party:** City of Gilroy Planning Department and Housing Task Force

**Time Frame:** 1991-92

**Policy B: The City will encourage the construction of multi-family units, especially units suitable for lower income households and large families.**

**Program #9: Provision of Sufficient Land Zoned for Multi-Family Units**

**Description of Program:** The City will inventory appropriate vacant sites for transitional, single room occupancy, R-3 and R-4 density housing, consistent with other land use and transportation policies in the General Plan. The City will initiate amendments and rezonings consistent with this inventory

**Responsible Party:** City of Gilroy Planning Department and Housing Task Force

**Time Frame:** 1991 (Prepare Inventory)

**Objective:** 75-100 acres zoned R-3  
25-50 acres zoned R-4

**Policy C: The City will encourage the conservation of the rental stock because rental units are commonly the most "affordable" housing for lower income households.**

**Program #10: Conservation of Existing Assisted Housing**

**Description of Program:** The City will work with local non-profit groups in developing a strategy to conserve the Milias Apartments and Plum Tree West should the owners of those projects decide to convert the units to market rate housing. Specifically, the City will assign staff resources to assist with

**Policy C:**

*Conserve the existing affordable housing stock, especially rental units.*

*(Continued)*

regulatory and technical issues as well as to help in identifying potential funding sources.

**Responsible Party:** City of Gilroy Planning Department and local non-profit groups

**Time Frame:** 1990-91 (Strategy for Parkview Apartments)

1990-92 (Strategy for Plum Tree West)

1994-95 (Strategy for Milius Apartments)

**Objective:** Conserve existing 172 units of assisted housing in the Parkview Apartments, Milius Apartments and Plum Tree West.

***Program #11: Provision of Section 8 Subsidies***

**Description of Program:** The Housing Authority of the County of Santa Clara currently administers the Section 8 (Existing) program in the City of Gilroy. The City will continue to work with the Housing Authority in supporting the existing level of Section 8 subsidy and encouraging the provision of additional subsidies for Gilroy households.

**Responsible Party:** City of Gilroy, City Manager and the Housing Authority of the County of Santa Clara

**Time Frame:** 1990-95

**Objective:** Increase the number of households assisted through the Section 8 (Existing) program

***Program #12: Conservation of Existing Affordable Mobile Home Opportunities***

**Description of Program:** There are currently (1990) 335 mobile homes in the City. The City has enacted a Mobile Home Rent Control Ordinance to ensure the continued affordability of these units. The City will evaluate the effectiveness of this program and also review the Zoning Ordinance to determine if there are any unnecessary impediments which may discourage mobile home owners from locating their units with permanent foundations on single family lots. Revisions to the Zoning Ordinance will be made as needed.

**Responsible Party:** City of Gilroy Planning Department, Housing Task Force and mobile home residents.

**Time Frame:** 1991-92

**Objective:** Conserve existing mobile home stock of 335 units and facilitate locating additional mobile home units in the City.

**Policy D:**  
*The City will continue to provide CDBG funding to non-profit agencies that serve Gilroy households, especially those households with special needs.*

**Policy D: Agencies funded through the County of Santa Clara "Community Development Block Grant Program" will continue to be encouraged to provide services to Gilroy households especially to households with special needs.**

**Program #13: Wheeler Senior Care Facility**

**Description of Program:** South County Housing, Inc. is planning to convert the existing Wheeler Hospital into a facility with housing affordable to approximately 102 elderly households. The City will support and encourage the development of the facility and assist South County Housing, Inc. with any funding sources that are available to the City, including CDBG funds.

**Responsible Party:** South County Housing, Inc. and the City of Gilroy (City Manager, Planning Department)

**Time Frame:** 1990-1994

**Objective:** Residential housing affordable to approximately 102 elderly households.

**Program #14: Shared Housing Programs**

**Description of Program:** As long as feasible, the City will continue to support Shared Housing programs operated by non-profit agencies.

**Responsible Party:** City of Gilroy, City Manager and non-profit agencies

**Time Frame:** 1990-95

**Objective:** 25 Households Matched in Shared Housing  
(5 Annually)

**Program #15: Homeless Programs**

**Description of Program:** The Emergency Housing Consortium currently manages the homeless facilities in the Gilroy area. The City needs a year round program and auxillary services for the homeless. There also needs to be coordination between the transportation, police and medical services for the homeless. The City will convene a Roundtable Summit to bring together the various service providers and interested community members to formulate an action plan for the homeless in our community. The primary goal of the Summit will be to coordinate

**Policy D:**  
*The City will continue to provide CDBG funding to non-profit agencies that serve Gilroy households, especially those households with special needs.*

*(Continued)*

services in order to avoid duplication and ensure that the needs of the homeless are being met. The secondary goal will be to inform the community about the needs of the homeless and encourage community volunteerism. The City will continue to support the Emergency Housing Consortium or similar programs and will aggressively pursue other state and federal funding sources for homeless programs in Gilroy.

**Responsible Party:** City of Gilroy Planning Department, Housing Task Force, Service Providers and interested community members

**Time Frame:** 1991-92

**Program #16: Adequate Sites for Homeless Facilities**

**Description of Program:** The City will revise its current Zoning Ordinance to allow the provision of emergency housing facilities and transitional housing facilities in specific zoning categories (i.e. residential, commercial, industrial land uses).

**Responsible Party:** City of Gilroy Planning Department

**Time Frame:** 1991-92 (Revise Ordinance)

**Objective:** Provision of Adequate Sites for Homeless Facilities

**Policy E:**  
*Rehabilitation of substandard units will be encouraged and assisted through the City's Housing Rehabilitation Program.*

**Policy E: Rehabilitation of substandard housing will be encouraged and financial assistance will be provided whenever feasible. A Replacement Housing Program shall be developed in the event that units are not suitable for rehabilitation.**

**Program #17: Housing Rehabilitation Program**

**Description of Program:** The City, in cooperation with the County of Santa Clara, administers a housing rehabilitation program for both owner occupied and renter occupied units. The City will continue to administer the housing rehabilitation program using available State and Federal rehabilitation funding sources as well as loan repayment income. The program will continue to assist lower income households and housing costs after rehabilitation shall be affordable to the households.

**Policy E:**  
*Rehabilitation of  
substandard units  
will be encouraged  
and assisted  
through the  
City's Housing  
Rehabilitation  
Program.  
(Continued)*

**Responsible Party:** City of Gilroy Planning Department and County of Santa Clara  
**Time Frame:** 1990-95  
**Objective:** 100-125 units rehabilitated

***Program #18: Replacement Housing Program***

**Description of Program:** The City will conduct an inventory and evaluation of residential units in the City that have been identified as being substandard and unsuitable for rehabilitation. If necessary, the City will develop a Replacement Housing Program providing for the provision of suitable housing for the residents of those units and the replacement of the housing unit itself. Possible methods for replacing the units include a scattered site self-help housing project or the provision of manufactured units to replace the deteriorated unit.

**Responsible Party:** City of Gilroy Planning Department

**Time Frame:** 1990-1992

**Objective:** Evaluate necessity to develop a Replacement Housing Program for potential 358 units that are substandard and unsuitable for rehabilitation.

***Program #19: Housing Code Enforcement Officer***

**Description of Program:** The City will hire a Housing Code Enforcement Officer to respond specifically to citizen complaints regarding housing code problems and to conduct regular inspections of substandard units that appear to be a health and safety hazard. Periodically, the Housing Code Enforcement Officer will prepare a report for the Planning Commission and City Council regarding the number of housing-related complaints received, the nature of the complaints, and subsequent action taken.

**Responsible Party:** City of Gilroy, City Manager

**Time Frame:** 1990-92

*Policy F:  
Provision of  
equal housing  
opportunities  
for all Gilroy  
residents.*

**Policy F: The City will promote equal housing opportunities for all residents regardless of age, sex, race, marital status, ethnic background, income and other arbitrary factors.**

***Program #20: Farmworker Housing***

**Description of Program:** The City will encourage and support provision for the special needs of migrant farmworkers and their families. These special needs include housing, sanitation education, medical care and day care of children. The City will also work with the County to expand and/or upgrade the migrant housing camp to maximize the use of the facilities for emergency shelter on a year-round basis. The City will also support non-profit sponsors with seed funds for applications for Farmers Home Administration Section 514/516 allocations which provide a combination of grants, loans and HCD Farmworker Housing Grants to finance the construction of Farmworker Rental Housing.

**Responsible Party:** City of Gilroy, City Manager and Planning Department

**Time Frame:** 1990-95

***Program #21: Fair Housing Information and Referral Program***

**Description of Program:** As long as feasible, the City will provide financial support to programs that provide fair housing and counselling services to Gilroy households, including such programs as "Operation Sentinel," California Rural Legal Assistance and any similar programs.

**Responsible Party:** City of Gilroy, City Manager

**Time Frame:** 1990-95

***Program #22: Public Information***

**Description of Program:** The City will hire a public information staff person whose duties will include actively pursuing opportunities to communicate with Gilroy residents regarding housing issues, among others.

**Responsible Party:** City of Gilroy, City Manager

**Time Frame:** 1990-1991

**Policy G:**  
*Participation by  
the private sector  
in development  
of affordable  
housing  
opportunities.*

**Policy G: The City will encourage participation by the private sector in development of affordable housing opportunities by removing unnecessary impediments and providing realistic incentives.**

***Program #23: Procedural Reforms***

**Description of Program:** The Housing Task Force, with staff and the development community, will review the existing development procedures and recommend appropriate changes to facilitate the construction of affordable units. These changes might include fast tracking proposals which include affordable units, reducing or waiving certain fees for qualified projects, and building flexibility into ordinances and standard specifications.

**Responsible Party:** Housing Task Force, Development Community, City of Gilroy, and interested citizens

**Time Frame:** 1991-92

***Program #24: Modification of Development Standards***

**Description of Program:** The Housing Task Force, with staff and the development community, will review and recommend modifications to development standards which pose an unnecessary impediment to the construction of affordable units.

**Responsible Party:** Housing Task Force, Development Community, City of Gilroy and interested citizens

**Time Frame:** 1991-92

***Program #25: Identification of Public and Private Sector Financing***

**Description of Program:** The City will initiate a Roundtable Summit with the local banking and financial community to explore alternative financing programs in the public and private sectors which should be pursued to address the affordability crisis in our community. Examples of options which may be

**Policy G:**  
*Participation by  
the private sector  
in development  
of affordable  
housing  
opportunities.*

explored are:

1. Shared appreciation and shared equity mortgages, including subsidies to first-time homebuyers in exchange for equity recapture rights.
2. Sale and lease-back housing arrangements for financially troubled owners.
3. Employer-assisted home purchase programs, including matching down payment grants and tax-advantaged employee home ownership programs similar to employee stock ownership programs.
4. Financial assistance to convert unused commercial space into rental housing.

**Responsible Party:** City of Gilroy, Housing Task Force, Banking Community, Economic Development Committee of the Chamber of Commerce and interested citizens.

**Time Frame:** 1990-91

**Program #26: Housing Trust Fund**

**Description of Program:** The City will establish a Housing Trust Fund for the purpose of creating a permanent source of funds for affordable housing opportunities. Possible sources of income for such a fund include assessments, tax increment funds, property transfer taxes and in lieu fees.

**Responsible Party:** City of Gilroy, City Manager and Planning Department

**Time Frame:** 1990-92

**Program #27: Housing Task Force**

**Description of Program:** The City will create a permanent citizens task force to assist in the implementation of the policies and programs in the Housing Element. This group will advise the Planning Commission and City Council regarding housing needs and opportunities and meet on a regular basis with staff support.

**Responsible Party:** City of Gilroy, City Manager and Planning Department

**Time Frame:** 1990-91

*Policy H:  
Encourage  
resource  
conservation  
efforts  
whenever  
feasible.*

**Policy H:** The City will encourage public awareness of residential energy use and will support resource conservation efforts whenever feasible and appropriate.

**Program #28: Resource Conservation in the Residential Development Ordinance**

**Description of Program:** The City's will continue to include resource conservation design features as a criteria in awarding points in the Residential Development Ordinance process.

**Responsible Party:** City of Gilroy Planning Department

**Time Frame:** 1990-1995

*Policy I:  
Preservation of  
historic houses  
and neighborhoods  
will be  
encouraged.*

**Policy I:** Houses or neighborhoods of historic significance will be preserved and protected.

**Program #29: Historic Preservation Program**

**Description of Program:** The City will review the requirements in the Zoning Ordinance pertaining to historic structures and determine whether there are any unnecessary impediments which may deter owners from repairing and rehabilitating their historic structures into functional residential dwellings.

Amendments to the Zoning Ordinance will be made as necessary to ensure that the goals of affordable housing and preservation of historic structures are compatible.

**Responsible Party:** City of Gilroy Planning Department

**Time Frame:** 1992-93

## CITIZEN PARTICIPATION

The goal of the citizen participation process in the review of the Housing Element is to encourage the maximum level of public participation as feasible. Included in this goal is the objective of ensuring public participation of all economic segments in the community, including low and moderate income households.

In order to achieve this goal, the City of Gilroy has identified the following steps as its citizen participation plan for both the draft document as well as any subsequent revisions to the document.

### **1. Public Review of Document for 30 days**

Copies of the proposed document will be made available for public review and comment for a 30 day period. Availability of the draft document will be advertised in the local newspaper, the "Gilroy Dispatch," as well as being posted at City Hall, the Senior Center and the Public Library. These facilities have been identified as community gathering points where households representing various economic segments might visit.

### **2. Public Hearings**

The final document will be reviewed at public hearings before both the Planning Commission and the City Council. Adequate notice of these hearings will be advertised in the local newspaper, the "Gilroy Dispatch," as well as being posted at City Hall, the Senior Center and the Public Library.

### **3. Review by the Housing Task Force**

The draft and final document will be reviewed by the City's Housing Task Force and comments will be forwarded to appropriate staff or Council members. The Housing Task Force includes members who represent a wide cross-section of agencies and organizations affected by City housing policies and programs. In addition to reviewing the draft and final documents, the Housing Task Force is also responsible for the implementation of several of the programs included in the Housing Element.

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## **CONSISTENCY WITH OTHER GENERAL PLAN ELEMENTS**

In revising the 1990 Housing Element, the intention was to develop a document that is consistent with other Elements of the City's General Plan. At the time that the 1990 Housing Element was developed, it was consistent with the other Elements of Gilroy's General Plan.

In order to ensure that this consistency is maintained, the City will continue to include consistency with the Housing Element as an evaluation criteria for Planning Commission review of all development proposals and General Plan revisions.

# APPENDIX

- o Discussion of Sewer Treatment Capacity and Residential Development Ordinance (Summer, 1991)
- o Reference Materials
- o Persons Contacted
- o ABAG Correspondence

# **Sewer Treatment Plant and Residential Development Ordinance**

## **(Summer, 1991)**

### **1. Sewer Treatment Plant Capacity**

The Cities of Gilroy and Morgan Hill have been working together towards the expansion of their joint sewer treatment plant since 1984, when the first draft of the "Wastewater Management Alternative Analysis and Long Term Plan" was produced by James M. Montgomery Consulting Engineers on behalf of the two cities.

The alternatives defined by the report were as follows: land disposal, surface discharge to the Pajaro River, surface discharge to the ocean (Monterey Bay), land disposal with winter discharge of underdrain flows to Pajaro River, or a combination of winter surface discharge to the Pajaro River and summer land treatment/disposal.

Petitions initially raised by the "Committee for a Progressive Gilroy" delayed progress on the improvements to the plant for about three years. During that period, Monterey County and Santa Cruz County began to register their objections to any use of the Pajaro River for discharge. A writ of mandate issued by Superior Court Judge Peter Stone on June 29, 1988 halted work on the project and required a second EIR.

In June, 1990, the Councils chose the combination alternative (winter surface discharge to the Pajaro River and eventually into Monterey Bay; summer land treatment/disposal). The Councils also certified a second EIR on the project. An analysis of possible sites for additional land disposal within four miles of the existing plant was completed by the engineers. In August, 1990, the U.S. Department of Commerce EIR on Monterey Bay National Marine Sanctuary Region called for more stringent monitoring of discharge into the Bay.

The writ of mandate issued by Superior Court Judge Stone in 1988 was lifted by the same judge on March 18, 1991 with the statement that "all of the issues raised in the petitions have been adequately satisfied and brought into compliance with the requirements of the law."

### **Capacity Allocations**

The current capacity of the Gilroy-Morgan Hill Wastewater Treatment Plant is 6.1 mgd. Gilroy's share, 58%, is 3.538 mgd with the remaining 2,562 mgd being allotted to Morgan Hill. The scheduled first phase of the planned additional capacity will yield 1 mgd by 1994, of which Gilroy will have 58%.

Historically, residential capacities have been calculated as:

Single family: 320 gallons/day  
Multiple family: 223 gallons/day

If reserved only for residential development, this increase in capacity could provide capacity for 1800 single family, or 2600 multi-family, or some combination of the two.

#### Alternatives

One alternative that has been explored is the use of a satellite treatment plant. The current proposal is part of a large residential development proposed in the City's western foothills by Shapell Homes of Northern California. The satellite plant being discussed would be located slightly east of the residential units, on property now owned by the City of Gilroy southwest of Uvas Creek near Miller Avenue. The proposal calls for using reclaimed water for golf course irrigation, and other uses.

A subsequent EIR analyzing the impacts of the project is in the review process, and will be acted upon in the summer or fall of 1991.

## **2. Residential Development Ordinance**

The Residential Development Ordinance was written in 1979 to prepare a system of residential growth management for Gilroy, due to the fact that two things were expected in 1980: a (limited) sewer plant expansion, and a marked growth in residential development with little opportunity to expand jobs. The ordinance was adopted November 19, 1979 and the first RDO competition took place in the summer of 1980. It was the first of four competitions that were held. Minor changes in the rating scale and procedures were made during following competitions. In 1984, RDO competitions were suspended due to several related sewer capacity issues, but analysis and refinement of the RDO system continued.

#### Original Numerical Limit Process

The Residential Development Ordinance (RDO) requires that the City Council establish numerical limits for residential development at their first meeting in April of each year. Numerical limits are set on a three year rolling cycle. This means that the limit adopted for the next calendar year becomes final, while the limits for the subsequent two years are subject to revision the next April.

When the RDO was first instituted in the early 1980s, the typical annual numerical limit was 375 units. After sewer capacity problems were incurred, this number was cut to 0.

#### Original RDO Application Process

An RDO applicant applies for RDO allocations in May/June of the year prior to the allocation year in which he or she would like to build. All projects are judged competitively according to the RDO rating scale, first by staff, then by the Planning Commission, and finally by the City Council.

The point total generated in the rating scale is competitive, not definitive, which means that an average project will do worse in a year when superior projects are also in the competition, while the same project would have a greater chance of being built in a year when the quality of other submittals is lower. There have been several modifications of the rating scale; the last revision was made in 1984.

The projects are ranked according to their scores, with allocations being made from #1 down until the numerical limit established for that buildout year has been reached. Allocations are awarded in the summer or early fall for buildout during the next year. There is a built-in rollover; if not used during the first year, the allocations are rolled over automatically to a second calendar year. If not used within that 24-month period, the allocations expire.

#### Future Use of the Residential Development Ordinance

Because of the sewer capacity problem, several of the City's current building development processes overlap. For all intents and purposes, the interim sewer allotment system has replaced the RDO as the City's current residential growth management tool.

The City now plans to combine the residential sewer allotment process with the RDO to simplify the process for developers. Contracts will be entered into to assure performance and timing for sewer obligations, after RDO allocations are assigned.

Upon resumption of adequate sewer service, the Council plans to resume residential development to an annual average of at least 450 units/year. The City Council wishes to establish a 10-year goal for new residential development of at least 4500 units. The Council now favors the removal of annual ceilings on the development of residential units, in order to regain development lost during the years of sewer capacity problems. This could result in the assignment of a large percentage of the 4500 units being allocated within the first few years of additional sewage capacity. Ongoing study sessions have been held with the goal of revising the RDO procedures to allow more long-term commitments to residential developers of large, multi-phase projects.

The City Council has also increased allowable exemptions to the Residential Development Ordinance. Projects funded by government agencies can now be exempt up to 45 units (up from 20) and private developers can also utilize this new exemption if they provide affordable units in the low-moderate income range.

Adoption of the revised Residential Development Ordinance is expected in the late summer of 1991.

## Reference Materials

Community Development Block Grant Applications, City of Gilroy (1988-90)

Grantee Performance Report, City of Gilroy (1988-90)

Housing Assistance Plan, City of Gilroy (1988-91)

Homelessness in Santa Clara County, 1989, New Faces and Hidden Costs  
County of Santa Clara, Homeless Overview Study Task Force, 1989

Housing Needs Determination, 1989  
Association of Bay Area Governments

Migrant Farmworker Housing in California, 1988  
State of California, Department of Housing and Community Development

# Persons Contacted

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**Minerva Ramsey**  
Housing Authority  
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# City of Gilroy

7351 Rosanna Street  
GILROY, CALIFORNIA  
95020

December 30, 1988

Doug Detling  
ABAG  
P.O. Box 2050  
Oakland, CA 94604-2050

Dear Doug:

As we have discussed, the Gilroy City Council expressed its deep concern over the ABAG projected housing need figures for Gilroy at their study session of December 19, 1988. Questions raised at that session include: Was the City's sewer capacity situation taken into consideration? What exact area does ABAG consider to be in Gilroy's "Sphere of Influence" as used in Projections 87? How can Gilroy be expected to regulate housing in the unincorporated areas of the Sphere?

As you know, the sewer plant which serves Gilroy and Morgan Hill is virtually at capacity. With its 58% share of the plant, the Gilroy City Council has stopped granting additional sewer hookups for any new projects (including commercial and industrial) that do not have prior agreements for additional capacity. It is expected that this will continue to be the case until 1992, when additional capacity will be available.

Both cities are working with haste, under a Joint Powers Agreement, to approve additional sewer capacity as soon as possible. However, a successful legal challenge and a subsequent court order have caused long delays and have forced us to redo the EIR which had been prepared to examine the impacts of the additional sewer plant expansions. A consultant has been contracted to prepare this new EIR, and work is underway.

When addition capacity available, the Council intends to increase its annual residential development approvals to 450 units per year. This policy would result in a population of 58,000 in the year 2012. The Council feels that the next round of ABAG projections (Projections 89) should reflect population growth for Gilroy more commensurate with this figure. In addition, the Council feels that a lower number of housing units for the City's projected need for 1990-1995 should be considered by the ABAG Board based on this latest information. We are willing to work with you and your staff in whatever ways necessary to accomplish this.

Thank you for your assistance in this matter.

Sincerely,

Michael Dorn  
Director

cc: City Administrator  
MD(CM):cm

